

1 WORLD TRADE ORGANIZATION LISTENING SESSION

2 Sponsored by the United States Department

3 of Agriculture and the Office of the

4 United States Trade Representative

5 Hosted by the Montana Department of Agriculture

6

7 MR. PECK: Good morning. We'd like to

8 welcome you to the World Trade listening session

9 that we have this morning. I would like to thank

10 you for your time for coming. We think this is a

11 very important process, and we're privileged to be

12 able to host it here in Bozeman and be able to have

13 folks with me today at the table from the staff of

14 USDA and State Department and Department of

15 Agriculture. And, most importantly, all of you

16 here as we talk about the future of trade not only

17 in this nation but the future for the world in

18 regard to trade issues that are before us.

19 So we welcome everyone here, and this

20 session in Montana is the last of eleven sessions

21 that are being held around the United States as we

22 prepare for the next round of negotiations and
23 discussions in regard to trade. I'd like to also
24 extend our appreciation to our surrounding states
25 in our region. I met with them at a trade accord

1 meeting last week and these include Colorado,
2 Nevada, Wyoming, and Utah are also providing
3 testimony and input in regard to the future of
4 trade in the United States and in the world.

5 Thank you, especially, to the USDR,
6 USDA, and USTR for their willingness to hold these
7 sessions, for their commitment to work with the
8 states and with the citizens from all of our states
9 and from this nation to provide input and provide
10 guidance and direction, as we have a citizen
11 government in the United States and I think this is
12 a very important process for us all to have that
13 kind of input as we move forward with trade issues.

14 At this time, I would like to talk about
15 and introduce our panel members. Jim Schroeder is
16 to my left. Jim serves as the Deputy
17 Undersecretary for Farm and Agriculture Services.
18 He is principally concerned with international
19 trade and development services and programs.
20 Before joining the USDA, he was a practicing lawyer
21 in Washington D.C., specializing in international

22 trade, commerce, and administrative law matters.
23 Mr. Schroeder graduated from the Woodrow Wilson
24 School of International Public Affairs at Princeton
25 University. He served on active duty as an officer

1 in the U.S. Navy, and received his law degree from
2 Harvard School of Law. He was born in Illinois and
3 spent many summers on his family farm in down state
4 Illinois. He is married to former congresswoman
5 Pat Schroeder, and they have one son Scott and one
6 daughter Jami.

7 Also, to my right, is Tim Galvin. Tim
8 was named Administrator of the U.S. Department of
9 Agriculture Foreign Agricultural Services on
10 January 28th of this year. In his position, Tim is
11 responsible for supporting FAS, Foreign Agriculture
12 Services, and carrying out an array of export
13 promotion, trade policy, and development functions
14 that fall under the agency's jurisdiction. Montana
15 has worked very closely with Foreign Agriculture
16 Services in the past and we'll continue to do that
17 in the future, and we've had a lot of success in
18 helping businesses in our state. Tim has served as
19 the Secretary Special Assistant on trade issues
20 since October of 1998. Prior to that, he served as
21 the Associate Administrator for FAS from 1994 until

22 1998. Until his appointment as Associate
23 Administrator, Tim was Legislative Assistant to US
24 Senator Bob Kerry and was responsible for
25 agriculture and trade issues. So you can see his

1 background is extensive in trade. He has worked as
2 a staff member of the house committee on
3 agriculture. Prior to that, he was director of the
4 house subcommittee on foreign agriculture,
5 research, and department operations. Tim is a
6 native of Sioux City, Iowa, he graduated from
7 George Washington University of Public and
8 International Affairs of Washington D.C. and
9 received his masters from Georgetown University
10 School of Business. Tim and his wife and children
11 reside in Arlington, Virginia. Thank you for being
12 here.

13 Sharon Lauritsen is with us. Sharon is
14 the Director of Agricultural Affairs and she is at
15 the office of U.S. Trade Representative, USTR,
16 Washington, D.C. She is responsible for a wide
17 range of agriculture issues, including trade with
18 Canada, the North American Free Trade Agreement
19 committee on agriculture, and she is coordinating
20 agriculture policies in the new round of
21 multilateral negotiations of the World Trade

22 Organizatin. We've worked with Sharon extensively
23 over the last year as we've dealt with trade issues
24 in Montana and with western states in regard to our
25 neighbors to the north.

1 Prior to joining the USTR, Sharon was
2 Associate Administrator for the fruit and vegetable
3 programs with the U.S. Department of Agriculture,
4 Agriculture Marketing Service. She managed a
5 variety of fruit and vegetable marketing services
6 including marketing new programs, marketing orders,
7 research and promotion programs, and served as the
8 agency's international trade policy advisor. In
9 previous positions, Sharon was the director of
10 government relations for the United Fresh Fruit and
11 Vegetable Association and served as a staff member
12 of Congress.

13 Susan Garros at the end of the table,
14 Economic and Commercial Officer Agriculture Trade
15 Policy Division of the Economic and Business Bureau
16 of the State Department. We are very pleased to
17 have the State Department with us today. Susan has
18 been an economic and commercial officer in
19 Agriculture Trade Policy Division of the State
20 Department's Economic and Business Bureau since
21 1997. Her responsibilities include food aid and

22 trade issues in Latin America and Canada, and
23 sanitary and phytosanitary issues. As you know,
24 those have been major concerns we've dealt with in
25 Montana over the last year.

1 Susan joined the Foreign Service in
2 1991, her previous assignments included the US
3 embassies in Mexico and Brazil. Before joining the
4 State Department, she worked at the US Agriculture,
5 United States Information Agency, and the National
6 Archives, and taught English as a foreign language
7 in Mexico. She holds a BA degree in History and an
8 MA in International Relations from John Hopkins
9 School of Advanced International Studies in
10 Washington, D.C. She's a native of Washington,
11 D.C.

12 So you can see the panel that we have
13 before you has been highly involved in trade
14 issues, and not just trade issues, but agriculture
15 trade issues. And their career and history and
16 experience is vital as we continue to have strength
17 for agriculture trade as we go through the next
18 round of WTO.

19 At this time, it is my on honor and
20 privilege to introduce a special friend of mine and
21 our Lieutenant Governor of Montana Judy Martz.

22 Judy is a fourth-generation Montanan, born in
23 Big Timber, Montana to ranching parents. She lived
24 most of her life in the Butte area, and was elected
25 Montana's first female Lieutenant Governor in

1 November of 1996. With her agriculture background,
2 Judy sees small business retention and development,
3 economic growth, and Montana's youth as her
4 immediate priorities in the Racicot Martz
5 Administration.

6 Judy's diverse background is reflected
7 in her past goals and personal achievements. She
8 was crowned Ms. Rodeo Montana in 1963. I don't
9 know if I should use that date, Judy. That same
10 year she represented the United States in Japan as
11 a member of the US World Speed Skating team, and
12 again in 1964 as a member of the US Olympic team.
13 It's been an honor and a privilege to continue to
14 work with Judy as we work on agricultural issues.
15 And at this time, I extend a warm welcome to you
16 and if we could receive your testimony at this
17 point.

18 MS. MARTZ: Thank you, Ralph. And I would
19 like to, on behalf of the Governor and myself,
20 thank you all for coming to Montana to listen.
21 Montana is pleased to work with you, the United

22 States Department of Agriculture, the United States
23 Trade Representative Office, and the Trade Research
24 Center. And we thank you for hosting this
25 listening session today.

1 Some very important agriculture trade
2 issues will be discussed here today, and it is
3 critical that each of us actively participate in
4 defining the future of the global marketplace.
5 Trade issues affect everyone whether directly or
6 indirectly. US agriculture is increasingly
7 dependent upon exports. We need to ensure that
8 existing markets remain open and that we gain equal
9 access to international markets.

10 Recently, leaders in the European Union
11 and Latin America launched negotiations on the
12 formation of a free trade zone. It is crucial for
13 the United States to continue to form and improve
14 similar partnerships while setting the stage for
15 export strategies. The western states play an
16 important role in that total US agriculture
17 production. Exports are essential, not only for
18 the agriculture industry, but for this nation's
19 future for each of the states' individual
20 economies.

21 Our farmers, ranchers, food processors,

22 and business leaders, if they're going to compete
23 successfully for export opportunities, it is
24 imperative to have fair and equal access to all
25 foreign markets. Montana has stepped forward to

1 accomplish just that with our neighbors to the
2 north. Montana and Alberta, a province of Canada,
3 recently held an agriculture opportunities
4 conference to discuss trade barriers and, as
5 importantly, opportunities that exist when these
6 issues are resolved. Producers on both sides of
7 the border agree that the harmonization of the
8 agriculture rules and regulations are a necessity
9 if we want to develop solid trade relationships.

10 Grading, inspection, production inputs,
11 health protocols, and financial services are all
12 the needs that we have to be addressed in
13 decreasing trade restrictions. There is an
14 increased opportunity for pilot projects that could
15 develop in order to test market access. The
16 Northwest Pilot Project on livestock has
17 demonstrated how state and national organizations
18 can work together successfully to achieve mutual
19 goals. We must continue to form these
20 partnerships, but we need to be aggressive and we
21 need the aggressive support from the Federal

- 22 Government to ensure the success of these programs.
- 23 Government and industry leaders need to build a
- 24 support structure for producers in the continuing
- 25 process to open.

1 We have to have open, honest education
2 for our citizens. Every effort should be made at
3 all levels to increase the availability of accurate
4 and complete comparison data between countries. I
5 urge you to work with others in our Federal
6 Government to help alleviate misconceptions and to
7 ensure, through your World Trade Organizatin
8 negotiations, that accurate information from other
9 countries is available.

10 I appreciate this opportunity to voice
11 these issues to you, and I hope that our panel
12 members will relay the message appropriately to the
13 ministerial conference in Seattle. Agriculture is
14 the number one industry of Montana, and it is
15 extremely important that we make it a number one
16 priority in the rest of the world. Thank you for
17 this opportunity, and, again, thank you for being
18 here this morning.

19 MR. PECK: Thank you, Lieutenant Governor.
20 Maybe, if we would like to since our time is good
21 now and Judy has welcomed the group and provided

22 the introductory testimony, maybe the time would be
23 good for us to ask each panel member to provide
24 some information in regard to their role in this
25 discussion and maybe provide some opening remarks.

1 Who would like to begin?

2 MR. SCHROEDER: Well, good morning. I am
3 Jim Schroeder, I am not Gerhardt Schroeder, so I
4 will not be talking about German agriculture
5 policy. I am absolutely delighted to be here this
6 morning and welcome you all to our listening
7 session. I want to certainly thank Ralph Peck and
8 his talented and lovely staff. Those of us in
9 government know that we are only as good as the
10 people that work for us, and Ralph is blessed with
11 very competent and industrious people.

12 Wyoming, Colorado, Montana, I love these
13 states. Montana, I first came here as a kid, I
14 think the beauty of this state is only excelled by
15 the quality of the industry and the people who live
16 and work here. I've been privileged in Washington
17 to work with your congressional leadership. I've
18 spent a lot of time working on China the last few
19 years. I've been in China with Max Baucus. Nobody
20 has worked harder on opening up the Chinese market,
21 particularly for wheat, for the northwest than

22 Max Baucus. Conrad Burns, what can I say about
23 Conrad? He and I share the same philosophy of
24 life, "Take your job seriously, but don't take
25 yourself too seriously." Nobody works harder for

1 American agriculture than Conrad Burns. I don't
2 know Congressman Hill as well, but I am sure he is
3 working hard to build on a great record of an old
4 friend of mine, a long-time friend, Pat Williams.
5 I miss Pat a great deal. So you are blessed with
6 good leadership, hard working folks back in
7 Washington that have American agriculture right at
8 the top of their agendas.

9 I hope to return. I certainly want to
10 return when Ralph Peck opens his luge run here in
11 Bozeman. There's a story behind that. But my
12 daughter, who has been studying in
13 Cambridge, England, has met a young Australian
14 astrophysicist, believe it or not, who will be
15 coming out here next month to join the faculty of
16 MSU, so, who knows, maybe I'll get back.

17 I look forward to this listening
18 session. If there's a lesson for this morning's
19 meeting, it comes from the gospel according to
20 Glickman, and it would go something like this: A
21 sound economy depends upon a healthy agriculture.

22 And healthy agriculture depends in large part on

23 trade. Thank you.

24 MS. LAURITSEN: Thank you, Ralph. I want to

25 thank all of you for coming out today. This is a

1 very important meeting for all of us, as the other
2 11 listening sessions have been. I do want to
3 spend most of my time today listening to what you
4 all have to say. We have a very important meeting
5 coming up the end of November, early December when
6 the United States hosts and chairs the WTO's third
7 ministerial conference. And our position as hosted
8 chair will allow us to shape the process and the
9 agenda of that round.

10 We are now beginning to set a specific
11 agenda for agriculture. Broadly speaking, we
12 expect to address issues such as reducing tariffs
13 and other barriers to our products that we ship
14 overseas, promoting fair trade by eliminating
15 foreign export subsidies and reducing trade
16 distorted supports, insuring greater transparency
17 and fairness in state trading, and insuring that
18 American producers have the right to effective
19 remedies against dumping subsidies and import
20 surges.

21 We are here to listen to you as

22 producers, experts, and people who are involved in
23 the food and agriculture industry. We want to hear
24 your priorities and understand your first-hand
25 problems that you see in international trade, and

1 your solutions to those problems as well. The role
2 of the USTR is primarily one to provide the
3 government leadership in putting forth negotiating
4 positions and doing the actual negotiations in the
5 WTO. We work hand in hand with the Department of
6 Agriculture on agricultural trade issues, we are
7 partners together. But we have a broader role as
8 we look at all sectors of the American economy as
9 well.

10 With that, I'd like to close and turn it
11 over to Susan.

12 MR. GARROS: I'm pleased to be here to
13 represent the State Department today. It is an
14 interesting opportunity for me to get out into the
15 country and hear what perspective people who are
16 producing the products that my job is to help
17 promote the export of that back in Washington. The
18 State Department will be working closely with the
19 trade representative and the Department of
20 Agriculture in preparing for the next round of
21 talks.

22 The close link between our domestic
23 prosperity and our ability to conduct a strong
24 foreign policy is very clear. It's also clear that
25 trade and, in particular, agriculture trade, has

1 become increasingly important to our domestic
2 prosperity. So for us, we see that lowering trade
3 barriers and insuring access for our exports is an
4 important foreign policy role.

5 For the first time in multilevel trade
6 talks, agriculture will be front and center from
7 the very beginning of the process. Our objective
8 will be to build on the progress we made for
9 agriculture in the Uruguay Round to ensure that the
10 rules of international trade will help to open
11 markets for our agriculture exports.

12 In preparing for the next round, we will
13 be using our embassies and ambassadors around the
14 world to explain our policies and seek support for
15 our positions, as well as, to report back to our
16 negotiators on the positions of our trading
17 partners. Understanding the views of our trading
18 partners and their reactions to our proposals will
19 help us shape an effective negotiating strategy.

20 But more important than knowing what our
21 competitors want from the next round of talks, we

22 need to know what our farmers and ranchers want, so
23 your perspective will help us shape a policy that
24 will have an effective set of rules for the next
25 several years. So I'm looking forward to hearing

1 from you and to reporting back to senior policy
2 makers in the State Department what I've heard from
3 this part of the country.

4 MR. GALVIN: I would like to say my thanks as
5 well to Ralph and the Department of Agriculture for
6 putting on this event. And a special thanks for
7 the State barbecue last night, we really enjoyed
8 that as well. I've been spending a lot of my time
9 on the US/Canadian ag relationship and, in fact,
10 prior to coming to Montana for this event, I was up
11 in Canada for three days of meetings with ag
12 officials primarily in Alberta. We had meetings in
13 Calgary and Edmonton, and I certainly want to
14 encourage the sort of efforts that Lieutenant
15 Governor Martz described where Montana and folks
16 from Alberta have been getting together to try to
17 work through some of the issues that currently
18 separate us. As I think you've indicated, though,
19 there is a lot that we have in common and we really
20 should try to find those areas as well where we can
21 work together.

22 I was quite involved last fall in the
23 so-called record of understanding that was signed
24 between US and Canada in early December, and I
25 think we've made some progress under that

1 agreement. As you know, when we started out, we
2 put together lists of all the issues that currently
3 were in front of us and we set about trying to
4 resolve those that we could immediately, and where
5 we found some issues, take additional time, we at
6 least tried to put in place a schedule for working
7 through those issues as well. Indeed, I think
8 we've made some real progress.

9 For example, under the so-called
10 Intransit Shipment of Grain Issue, we've seen over
11 300,000 tons of wheat and barley, primarily from
12 Montana and North Dakota, move through Canada since
13 the first of the year. So that initiative, I
14 think, has gotten off to a real good start. We've
15 also seen, as the Lieutenant Governor mentioned,
16 more than 51,000 head of feeder cattle from the
17 northwest that have moved under the pilot project
18 into Canada during the six-month period, October
19 through March. And that's up from just 1,000 head
20 over the level of a year ago. So we're seeing some
21 progress there as well.

22 But there's no question that there's a
23 lot of work that remains to be done. It's still a
24 simple fact that grain moves much easier to the
25 south than to the north. We've tried to set up a

1 pilot program under which US grain can move to
2 certain elevators in Canada, but unfortunately very
3 little has moved under that program to date. We
4 also believe we've got a lot of work to do on
5 issues such as potatoes. Also on the whole subject
6 of pesticides and the different pricing of
7 pesticides on both sides of the border, the
8 different availability and that sort of thing. And
9 we're having a number of good discussions now
10 between producer groups, the chemical industry, and
11 government regulators to see what we can do to
12 better harmonize the whole pesticide regulatory
13 environment between our two countries.

14 So we think we've made good process on
15 the Canadian issues, but it's clear we've got a lot
16 of work left to do. We certainly want to encourage
17 these sort of efforts between the US states and the
18 Canadian provinces. In fact, one other thing we
19 did under this record of understanding was to
20 establish a so-called consultative committee on
21 agriculture, and that's made up of US and Canadian

22 government officials. As a part of that, we have
23 also set up an advisory committee, and that
24 advisory committee is made up of state and
25 officials, including the directors of agriculture

1 in several of the states as well as two or three of
2 the US governors who want to be really involved in
3 this issue as well. So we hope to continue to make
4 steady progress on those issues between US and
5 Canada.

6 MR. PECK: Thank you. I think we do have a
7 couple more minutes. Maybe -- Senator Baucus is
8 going to be joining us, but we got to be sure the
9 timing is right. And since we get up later than he
10 does in Washington D.C., we have to be sure that
11 technology is with us.

12 MR. GALVIN: We do have several USDA staff
13 here today that have helped with this event.
14 Catherine Cornelius, if you want to stand please?
15 Alan Hrapskwy with our International Trade Policy
16 Division. Marlene Phillips in the back of the
17 room, who is with our info division helping to make
18 the press arrangements also with our Ag Trade
19 Office in Atlanta, Georgia. I think that's
20 everybody. Thank you.

21 MR. PECK: Then I'd like to also express

22 appreciation to my staff at the Department of
23 Agriculture that's worked with us. And
24 Bruce Nelson, who we will introduce in a little
25 bit, is with us today, too. So if you need any

1 assistance at all and you can't remember their
2 names, look at the name tags. But also look for
3 Stacia Dahl over there, holler at Stacia. Or look
4 for the Montana gold pin, my Deputy Director is
5 here also, Will Kissinger. So we have staff
6 members available if you need any assistance, need
7 answers to questions, need help with testimony or
8 anything like that, feel free to contact them.

9 We'll start out today with testimony
10 that we'll receive by telecommunications. And we
11 think we're going to be on-line here really soon.

12 Our Senior Senator from Montana is going
13 to be joining us from Washington D.C., and I've
14 been really pleased that our delegation from
15 Montana has placed agriculture, each one,
16 individually and separately, has stated that
17 agriculture remains their number one priority in
18 regard to the work that they're doing in Washington
19 D.C. We are pleased about that, we think that's
20 appropriate. Of course, it's very important for
21 the difficult times we're all facing right now in

22 industry in regard to pricing and the price of
23 commodities, it's nationwide the challenges we
24 face. There are not easy solutions to that, but
25 I'm one that believes that part of that solution

1 has to be a very aggressive trade stance. And
2 Senator Baucus has led some delegations to
3 Argentina and China, he has continued to work with
4 Montanans and Montana to work with the World Trade
5 Center to continue to build for and strengthen
6 trade activities for the State of Montana.

7 So we are pleased that he is going to be
8 joining us. He regrets that he couldn't be here in
9 person, but new technology, when it works, provides
10 for the ability for us to actually have his input
11 and his testimony to the panel today. So Sharon is
12 on the phone and she's hopefully going to get
13 something on-line for us in a minute. So if you
14 would be patient with us, right at nine o'clock on
15 somebody's time, we should have him here. That
16 clock says 9:00, mine says two minutes, and Jim's
17 says three minutes. So somewhere we're close.

18 MR. BAUCUS: It looks like a great day in
19 Bozeman, it makes me very, very envious. I'm in
20 Washington D.C. and it's not a great day here. Be
21 that as it may, I wish I were there with you. I

22 also understand this is the fair weekend, I hope

23 some of you get a chance to get out to enjoy that

24 as well.

25 I particularly, though, thank you all

1 for coming today to discuss, I think, one of the
2 most important, in fact, if not the most important
3 issue facing American agriculture. That's trade.
4 I want to also thank USDA and USDR for coming to
5 Bozeman to hear our concerns. I'm glad to see a
6 very strong representation from USDA. I tell you
7 folks, enjoy your time in Montana, I'm sure you'll
8 agree that you saved the best of your WTO listening
9 sessions for the last.

10 I'll begin by noting that this next
11 round of WTO, the World Trade Organizatin, talks is
12 vital. We have to ask ourselves, "How are we going
13 to make sure that agriculture is a priority, not
14 only a priority, a top priority in the next round
15 of the WTO?" How are we going to do that? As we
16 move toward the negotiations in Seattle in
17 November, we have to realize how critical a time
18 this is for agriculture. I wish you folks there
19 get a chance to talk to some people in some parts
20 of Montana so you realize how dire straights are
21 for agriculture in our state, and other high plains

22 states, in particular.

23 While the rest of the nation experiences

24 astounding economic growth and prospers through

25 open global trading system, Montana farmers are

1 not. Montana farmers and producers around the
2 nation are suffering deeply, it is disastrous, and
3 have yet to reap the fruits of a free-trade bounty.
4 We've got real problems.

5 We also know that the European Union in
6 Japan will be very rough, they're very rough
7 customers, they always are. That means we have to
8 stand up and be tough, too, stand tall. And the
9 more we stand up together, make our voice heard
10 together in the government, the stronger our
11 negotiators will be. So I urge all you in the
12 audience today, particularly those of us who are
13 from home, to be very forceful, be vocal, to be
14 very effective in explaining what it is that we
15 think makes sense to those folks at USDA and USDR.
16 The time has come for us to level the playing field
17 in agriculture trade.

18 We have not dealt sufficiently with
19 agriculture in past trade agreements. I think most
20 will agree with that. Thanks to the foresight of
21 our negotiators, though, 23 nations participated in

22 the last round, the Uruguay Round, on agriculture.
23 We find that 23 now bind themselves to reductions
24 and tariffs and minimum access for agriculture
25 imports, but we must do much more than that.

1 The next round, the millennium round, is
2 meant to continue the process of reform by focusing
3 on new ways to expand market access. This requires
4 us to be very creative. We must find a way to
5 reduce trade barriers in other countries without
6 losing the ability to help our domestic producers
7 and cope with the temporary crisis.

8 We also need to keep an eye on the
9 proposals that other WTO countries will be bringing
10 to the table. We know the EU is in the process of
11 making reforms to its agriculture policy. But
12 according to Ambassador Scher, the EU seems to be
13 engaging in something called ABA, that is the
14 "Anything But Agriculture" strategy. The Japanese
15 also appear to be approaching the round with
16 caution as the Japanese always do. Caution to the
17 extreme, I might add. And the Cairns Group will
18 closely monitor and, I believe, support the
19 United States' lead.

20 There is a point there. The United
21 States must first lead before the Cairns Group and

22 others will be willing to join. Countries are
23 looking to the United States for leadership on
24 trade.
25 You here today are the hands-on experts.

1 I really urge you to make your voices heard very
2 strongly because if you give our negotiators a
3 clear picture of our state's needs, they'll know
4 much better and will be much tougher during the
5 negotiations.

6 There are a group of issues that I think
7 are particularly important to this conversation and
8 I've dealt them the "Key Five." Export subsidies
9 is one; market access, second; dispute settlement,
10 third; elimination of state-owned enterprises,
11 fourth; and safeguard against surges. Now, these
12 are all trade maps, there is a lot we must do
13 internally. For example, a good safety net in the
14 addition of emergency assistance. In addition,
15 it's very important for us to reform crop
16 insurance. There's a lot we have to do at home.
17 But today we're talking about trade, and these
18 items that I just mentioned are the trade items
19 that we have to focus on because trade, I think,
20 for the long term, is going to make a big
21 difference, in fact, a even greater difference to

22 the viability of farming in our state.

23 First, export subsidies. I believe that

24 the United States has taken the high road by

25 leading by example. We don't have a lot of export

1 subsidies in our country. The trouble is our lead
2 hurts our American producers. The United States
3 has long taken the position that if we reduce
4 export of agriculture, we'll get a fair trade
5 system. We cannot unilaterally disarm. At the
6 time, I knew it was going to be a problem and, in
7 fact, it still is because other countries haven't
8 reduced theirs. For example, across the Atlantic,
9 we find that European Union export subsidies, get
10 this, are 60 times greater than ours in the United
11 States. To state it differently, about 83 percent
12 of the world's export subsidies are European.
13 About 2 percent of the world's export subsidies are
14 American. So it's clear that the Europeans are the
15 big problem here.

16 During the 1980s, the United States and
17 the EU engaged in an export subsidy war in which
18 both members battled to undercut each other's
19 prices in the export markets. Remember that? Over
20 the decade, because Europeans' export subsidies
21 were so much stronger, the US market share declined

22 while the European Union market share increased,
23 and it increased dramatically. In fact, by the
24 mid-eighties, Europe, formally the world's largest
25 importer of agricultural products, suddenly became

1 the world's largest exporter of agricultural
2 products. Believe me, that had nothing to do with
3 luck.

4 Today, the United States maintains an
5 anemic, if at best, export advancement program.
6 Authorized at \$500 million a year, EU operates well
7 below the Uruguay reduction commitments, it's very,
8 very distressing. Our priority must be leveling
9 that playing field. Simply stated, all export
10 subsidies must be eliminated across the board,
11 zero, that's our goal.

12 Second, market access. We must be more
13 aggressive here, too. Push aggressively onto
14 countries to reduce their tariffs, they're still
15 very high in many agriculture products. We should
16 ensure those countries with the largest tariffs
17 make the deepest cuts. No more of this percentage
18 reduction, it's going to have to get down to zero.
19 By reducing higher tariffs by greater percentages,
20 all disparities can eventually be reduced and get
21 close to that goal of zero.

22 Our biggest access challenge, though, in
23 the future will be China, it's also our greatest
24 opportunity. I think there's a good chance that
25 the WTO agreement with China will be reached this

1 year, and it's also my expectation that the
2 congress will vote for permanent NTR status for
3 China this year so that we have the benefit of a
4 good agreement with China. That will finalize a
5 big step for agriculture for United States when
6 China becomes a member of the World Trade
7 Organizatin so that our products, wheat, beef,
8 pork, and other States' products, citrus, will all
9 see the benefits of open trade.

10 A lot of you know that China made
11 commitments in agriculture extending to all
12 commodities of interest as to the US and to all
13 issues from tariffs to quotas to bulk commodities
14 and also state trading. It's a great opening for
15 Montana wheat and beef after decades of very stiff
16 resistance over there. Let me just give you a
17 couple of examples. Tariff's in China, on an
18 average, on agriculture products is about 50
19 percent. But under the agreement, which we'll get,
20 I'm confident of that, those tariffs will drop to
21 17 percent for pork and 14 and a half percent for

22 beef, a huge drop on tariffs on our products that
23 are entering China.
24 China, right now, currently imports
25 fewer than 2 million tons of wheat, that's probably

1 because of the Asian economy trouble. But after
2 WTO entry, Chinese wheat imports will be at least
3 7.3 million tons and rising to an agreement, a
4 minimum they've agreed to, of 9.3 million tons by
5 2004. This increase is going to help us.

6 Finally, China will agree not to provide
7 agricultural export subsidies, a very important
8 achievement of its own right and a major step
9 toward our goal of eliminating export subsidies in
10 the next WTO round.

11 Third, is dispute settlement.
12 Yogi Berra once said, "If the world were perfect,
13 it wouldn't be." He said a lot of things, they're
14 all good. We Americans, though, have spent a lot
15 of time trying to perfect our trading system, and
16 it's true we get it a little bit better each time
17 and it's a continuing process of continuing
18 privilege. But the credibility of the global
19 trading system and the integrity of the American
20 trade laws depend on the belief that agreements
21 made are agreements followed. Now many times, more

22 energy goes into negotiating new agreements than
23 ensuring existing agreements work. And I believe
24 that part of the problem is the WTO dispute
25 settlement mechanism, it needs major repair.

1 Especially since the most controversial cases, that
2 is beef and bananas, are yet to be resolved in a
3 matter of compliance.

4 To repair the dispute settlement
5 process, I would suggest the following: First,
6 increase the transparency of deliberations and
7 submissions. That's just a fancy term for saying,
8 "Hey, make it much more open, less secretive."
9 Second, shorten the process. That speaks for
10 itself. These WTO dispute settlements take way too
11 long. And finally, give special recognition to
12 losing parties that quickly change their defensive
13 practices for the better. Fourth is the
14 elimination of state-owned enterprises. Between
15 1994 and 1997, state trading enterprises, get this,
16 accounted for nearly one half of the global wheat
17 imports, a half. And 33 percent of such wheat,
18 exports were handled by two trading enterprises,
19 you got it, the Australian and the Canadian wheat
20 boards.

21 Now, the Canadian Wheat Board has long

22 been a thorn in the side of the great plains
23 producers, producers who have little or no access
24 to information concerning the board's transactions.
25 Last year, for example, I traveled to Ottawa, I met

1 with Ralph Goodall, the minister in charge of the
2 wheat board, and I urged him to simply eliminate
3 it. I told him without transparency, distrust in
4 market -- otherwise market distortion will prevail.
5 He listened, I think he kind of got my message and
6 I'm sure he understood the truth in it. I kind of
7 got the feeling that maybe the days of the wheat
8 board are beginning to be numbered because they,
9 too, know that it's very in particular for their
10 producers and that they've got problems on their
11 side of the board.

12 It just simply is time that these STEs,
13 these State Trading Enterprises, are prevented from
14 circumventing their Uruguay Round commitments.

15 Finally, a safeguard against surges.
16 Under the agreement on agriculture, a special
17 safeguards can be used if low import prices or
18 surges in imports threaten to overwhelm producers.
19 Just this year, we have seen the need for such
20 safeguards to fight off excessive surges, for
21 example, in both cattle and land industries. If

22 all of us work to open markets, we obviously can
23 not be a victim of illegal forms of dumping here at
24 home. And for that reason, I'm very glad the
25 President, acting on behalf of the United States

1 Land Industry, is enforcing the ruling of the ITC.
2 But we must continually keep our eyes open for
3 other unfair practices and stop them before we
4 start.

5 The United States remained the most open
6 market in the world, I'm convinced of that and I'm
7 committed to that. At the same time, we must do
8 everything we can to open other markets, and we
9 must be sure that our domestic industry is able to
10 adjust and adapt to import surges without being
11 devastated.

12 I would like to add a note about fast
13 track. At the end of the day, we clearly will need
14 this authority to complete the round. Such
15 authority will send a clear message that America is
16 coordinated in its trade objectives and will
17 negotiate the set goals in mind. Another big
18 point, we need the President, we need his
19 negotiators to stand up for the needs of American
20 producers. The President has to be a lot tougher
21 and a lot stronger than he's been.

22 I'll conclude by saying, although this
23 will be difficult, we've got a lot of momentum
24 behind us, we've got a lot of arrows in our quiver,
25 but we do need to be tough, we do need to be

1 direct. So I urge you all, let our government
2 representatives hear your voices, hear from you, so
3 we, together, can get the job done and negotiators
4 know how important this is. Thank you so very
5 much, wish I were there, but I know you're going to
6 do an awful lot to help us. Thanks.

7 MR. PECK: Thank you, Senator. We appreciate
8 the fact that he stepped forward and provided that
9 kind of testimony to us today and was able to join
10 us via our new technology that's available. It's
11 amazing what we can do even in relation to five or
12 two or three years ago, to be able to do this kind
13 of thing.

14 Today we have joining us also, as I
15 mentioned, Bruce Nelson, who is the State Executive
16 Director of the USDA Montana Farm Services Agency
17 and a good, close friend, personal friend. He's
18 stepped forward and been willing to help us today
19 in carrying forward and working with us to provide
20 for the tough job, and that is to keep everybody in
21 time and keep the flow of presenters moving

22 forward. So please be very gentle to Bruce because

23 he's got a very difficult job.

24 As I said, he's with the USDA Montana

25 Farm Service Agency, he's their Executive Director

1 of that agency for the State of Montana. He's held
2 that position since 1993. Prior to that, he was
3 President of Triangle N Farms, Inc. in Fort Benton
4 where he was responsible for all phases of the
5 family-owned small grain farm. So he understands
6 agriculture in Montana. Previously to farm
7 management experience, Bruce worked in Washington,
8 D.C. from 1979 through 1980 and was an
9 administrative assistant to Congressman Pat
10 Williams where he supervised staff in D.C. and
11 three field offices in Montana. Please join me in
12 welcoming Bruce Nelson and thanking him for what
13 he's going to do today.

14 MR. NELSON: Thank you, Ralph. Good morning
15 everybody and welcome. We really appreciate
16 everyone joining us here today and we're looking
17 forward to a good session. It's really
18 unprecedented that our trade representatives would
19 actually travel around the country and visit with
20 folks about what's going on and what needs to be
21 done in the negotiations before those negotiations

22 occur, this is real important.

23 One of the reasons that I know this is

24 important is because of a high school history class

25 that I had that talked about the world and what

1 trade is about and how the states and trade can
2 hurt people. And I'm happy to say that my high
3 school history teacher is actually here today with
4 his wife from up in Fort Benton. And the only
5 problem is I still feel like I'm being graded here
6 today. So, Gene, we're glad you're here.

7 I would like to especially thank the
8 panelists who joined us here today; Jim Schroeder,
9 Sharon Lauritsen, Susan Garros, and Tim Galvin. We
10 really appreciate you coming out to Montana. And I
11 would also like to thank Secretary of Agriculture
12 Dan Glickman; US Trade Representative,
13 Charlene Barshefsky; and Peter Scher for sponsoring
14 these sessions and giving everybody around the
15 country a chance to talk to our trade negotiators
16 before these sessions.

17 I would like to thank Ralph for being a
18 good friend. I think Montana producers benefit a
19 lot from the strong working relationship that we
20 have between the State Department of Agriculture
21 and the federal agencies in Montana. And thank his

22 staff especially for the great arrangements here

23 today.

24 And I would especially like to thank

25 Senator Max Baucus, whose invitation to the

1 Department of Agriculture and to the US Trade
2 Representative led to those folks joining us here
3 in Bozeman today.

4 Well, we'll get started on what this is
5 really all about by first having Tim Galvin, who is
6 the Administrator of the Foreign Agriculture
7 Service visit with you about some background on the
8 World Trade Organization and the actual negotiation
9 process that they'll be going through starting this
10 fall in Seattle. So, Tim, if you would like to
11 come up here, it would probably be a little easier
12 for you to work the slides from up here.

13 MR. GALVIN: Again, good morning. I would
14 like to take a few minutes to set the stage for
15 today's hearing. I would like to review the
16 importance of trade to agriculture, a role that
17 previous trade agreements have played in beginning
18 to level the world playing field and our general
19 goals for the upcoming WTO round.

20 Agriculture exports support nearly
21 750,000 jobs. Productions from nearly 1 out of 3

22 harvested acres is destined for overseas markets.
23 Even in the current downturn, about 25 percent of
24 agricultural sales are for export, compared with 10
25 percent on average for the rest of the economy.

1 96 percent of the world's consumers live outside of
2 the US, so exports present one of the best ways to
3 increase farm income.

4 Access to these foreign customers is
5 critical because the US agriculture sector is
6 especially reliant on export markets and this
7 dependance is likely to grow. Agriculture is
8 already more reliant on exports than the economy as
9 a whole. US agricultural exports climbed to a
10 record of nearly \$60 billion in 1996. And if you
11 add fish and forestry products to that total, you
12 get almost \$70 billion. And the \$60 billion total
13 is up from \$40 billion at the beginning of the
14 decade.

15 Export value declined the past two
16 years, however, and will likely be down for 1999,
17 as well, due to record world crop production for
18 the past four years, the Asian financial crisis,
19 and a stronger dollar. We project exports of \$49
20 billion in the current year despite an increase in
21 export volume of 5 percent, which I think is an

22 indication that continued low commodity prices are
23 holding down export values as well.

24 Because the 1996 Farm Bill made

25 agriculture even more dependant on market returns,

1 our export success is likely to be found in those
2 commodities where we have a comparative advantage.
3 With certain agricultural commodities, such as
4 cattle hides, we are already exporting more than 50
5 percent of production. Export sales are over
6 \$1 million annually for a number of food and
7 agricultural products. Especially those major bulk
8 commodities where the US enjoys both production and
9 marketing advantages.

10 Another factor pointing to the
11 importance of exports to agriculture is the close
12 relationship between farm equity and exports over
13 the years. History shows that when exports rise,
14 so does farm equity and vice versa. Exports are
15 projected to recover, but with nearly 45 percent of
16 the world economy outside of the US in depression
17 or recession, that recovery is likely to be
18 gradual. However, there are some indications that
19 a turnaround is underway, such as in South Korea,
20 for example.

21 A key to expanding export markets and

22 increasing our access to customers outside the US
23 is through trade agreements. Both the WTO and
24 NAFTA agreements helped to expand trade over the
25 past five years. Soon after the implementation of

1 the Uruguay Round, US agriculture exports reached a
2 record high. Of course, many factors were behind
3 that performance, and as this slide makes clear,
4 exchange rates have a huge influence on export
5 levels. But almost all economists agree that
6 lowering trade barriers through trade agreements
7 has helped increase trade.

8 The imports continue to grow as well,
9 but agriculture's positive net trade balance
10 remains large even though it, too, has narrowed in
11 recent years. It is estimated that by the year
12 2005, agriculture exports will be about \$5 billion
13 more annually than they would have been without the
14 Uruguay agreement. Other agreements have produced
15 similar benefits. For example, it's estimated that
16 in 1994, we sold \$1.3 billion more beef and citrus
17 to Japan because of the agreement we negotiated
18 with that country on those two commodities.

19 The NAFTA agreement has also had an
20 impact. Our NAFTA partners, Canada and Mexico,
21 have been more important destinations for US

22 products, now accounting for over 25 percent of
23 total US export sales and surpassing our exports to
24 the European Union. We estimate that in its first
25 three years, NAFTA accounted for a 3 percent

1 increase in exports to Mexico and a 7 percent
2 increase to Canada. Last year, US farm exports,
3 through our two NAFTA partners, increased by 11
4 percent to a new record for both countries at the
5 same time that our overall US exports declined by
6 6 percent mostly because of the Asian crisis.

7 Although recent trade agreements have
8 produced real benefits for agriculture, we
9 recognize that the playing field is far from level
10 and that much more work needs to be done. A major
11 part of our strategy to level the playing field for
12 agriculture is to be successful in the upcoming WTO
13 round of negotiations. To understand where we are
14 going in the WTO, it is important to understand
15 where we've been. The general agreement on tariffs
16 and trade, or the GATT, was established in 1948 and
17 set the basic rules for international trade. A
18 number of GATT negotiations or rounds took place
19 between 1948 and the present, with the most recent,
20 the Uruguay Round, concluding in 1994. The Uruguay
21 Round established the World Trade Organization

22 which is basically a continuation of the GATT
23 system.
24 The Uruguay Round agreements opened a
25 new chapter in agricultural trade policy committing

1 countries around the world to new rules and
2 specific commitments to reduce levels of protection
3 and support that were barriers to trade.
4 Agriculture finally became a full partner in the
5 multilateral trading system. For the first time,
6 countries had to make across-the-board cuts in
7 agriculture tariffs. For the first time, export
8 subsidies had to be reduced and internal support
9 policies that distort trade were capped and
10 reduced. New rules set a scientific standard for
11 measures that restrict imports on the basis of
12 human, animal, or plant health and safety. And a
13 new settlement process was adopted, one that we in
14 the US have used successfully in a number of cases.
15 In fact, the US has filed about one-third of the
16 more than 150 cases that have been filed with the
17 WTO since its founding five years ago, and that's
18 more than any other country.

19 For example, we recently won
20 dispute-settlement panels against the European ban
21 on beef from cattle raised with growth hormones,

22 and against the EU's banana import licensing
23 regime, as well as, against Japan's restrictive
24 quarantine requirements for fresh fruit, and
25 Canada's dairy program. Our effort now is to

1 ensure that the banana and hormones decisions are
2 carried out so that US exporters have the market
3 access that they are entitled to under these WTO
4 decisions.

5 The Uruguay Round agreement was a good
6 start. It has already resulted in new market
7 opportunities and increased farm exports. But the
8 Uruguay Round was just a start and the upcoming
9 round of WTO talks are the next step.

10 The next round will be launched at a
11 ministerial meeting in Seattle on November 30, with
12 nearly 130 countries in attendance. The actual
13 negotiations will start in early 2000. The full
14 scope of the negotiations is yet to be determined,
15 but agriculture and services will definitely be
16 included. The general expectation is the
17 negotiations will last three years, with
18 implementation beginning in the year 2004.

19 In setting the agenda for the next WTO
20 round of agriculture negotiations, we will build on
21 the Uruguay Round accomplishments. Although

22 tariffs were reduced in the Uruguay Round, they are
23 still too high, with some countries maintaining
24 agricultural tariffs at 50 percent, while the US
25 average is about 8 percent. Our goal is to

1 negotiate a further reduction in tariffs. We also
2 want to expand market access under tariff-rate
3 quotas by increasing the quota amount and
4 decreasing the tariff outside the quota.

5 Another top priority is the elimination
6 of export subsidies. As Senator Baucus indicated,
7 the European Union, for example, accounts for about
8 85 percent of the total export subsidies used in
9 agriculture worldwide, and they are currently
10 permitted to outspend the US on export subsidies by
11 about 10 to 1.

12 We also want to see discipline brought
13 to the operation of so-called state trading
14 enterprises, which our government-authorized export
15 or import monopolies. This monopoly power allows
16 STEs to price their products artificially low and
17 unfairly increase market share. We'd also like to
18 see STEs subject to greater competition or reformed
19 so that they operate in a way that's fair and more
20 transparent.

21 Trade distorting domestic support is

22 being reduced under the WTO rules, but these
23 subsidies also are too high. A comparison of such
24 support shows that globally, domestic support in
25 Europe and Japan remains higher than in the

1 United States. Our goal for the next round is to
2 make sure that such assistance has a minimal impact
3 in interfering with markets and distorting trade.
4 Programs that encourage farmers to produce
5 surpluses without regard to efficiency or
6 environmental costs are often maintained by keeping
7 out import competition and dumping surplus
8 production in world markets.

9 Other goals for the next round include:
10 Ensuring that health and safety rules continue to
11 be based on sound science under the so-called
12 sanitary and phytosanitary agreement; and
13 establishing rules that allow trade involving new
14 scientific innovations, such as trade in products
15 of biotechnology.

16 Again, we appreciate your attention here
17 this morning and we look forward to hearing your
18 comments both today and over the months ahead.
19 Thank you very much.

20 MR. NELSON: Thank you, Tim. It's now my
21 pleasure to introduce John Antle. John is the

22 director of the Trade Research Center at our host
23 institution here today, Montana State University.

24 MR. ANTLE: Thank you very much. I had a
25 couple overheads to use -- well, here comes the

1 overhead projector. I just have a few very brief
2 comments on behalf of Montana State University. I
3 would like to welcome the distinguished visitors
4 from Washington and the rest of the public to this
5 important event.

6 I was having a conversation a week or so
7 ago with one of our producers about trade policy
8 and I said, "By the way, next week there's this WTO
9 listening session at MSU. People from Washington
10 are coming out to find out what you think about
11 these issues." And he said, "Really? That's
12 different."

13 And so I think it is different and I'd
14 like to just again commend you for coming here and
15 listening to what people think in the region.

16 This is important to the region for a
17 number of reasons, and I would like to just share a
18 few thoughts with you from a regional perspective.
19 First, the economy of the northern plains region
20 remains one of the most dependant on agriculture of
21 any region in the US. This is a fact that I

22 think, perhaps, those of you who aren't so familiar
23 with this part of the world don't realize. But,
24 for example, our farm income opportunities in this
25 region are much more limited than in the Midwest

1 and the Southeast.

2 Agriculture is the leading industry of
3 the region, and two commodities, grains and
4 livestock, dominate agriculture. That's an
5 important fact for us to keep in mind. Second,
6 grain producers are exporters, and trade is
7 increasingly important to the livestock sector.
8 Therefore, continuing the progress begun in the
9 Uruguay Round of the GATT towards an open,
10 competitive international trading system is
11 essential to agriculture, but more generally to the
12 economy of this region. That's a fact we have to
13 keep in mind as well.

14 The Trade Research Center at MSU has its
15 mission to provide people like yourselves with
16 objective data analysis with which you can make
17 informed decisions about these issues. And, Jim,
18 if you wanted to just put up the first slide there
19 as I proceed. And one of the things I'd like to do
20 is just let you know that we have conducted a
21 number of studies over the last several years

22 related to the issues that you're going to be
23 talking about here today including NAFTA, GATT, and
24 issues related to wheat, beef, and other
25 commodities that are important to the region, and

1 we have a number of publications, some of them we
2 called policy issues papers, other ones are
3 single-page briefings and conference proceedings.
4 They're all available on our home page which is
5 given up there, it's WWW.TRCMontana.EDU.

6 As we will, no doubt, hear today from
7 representatives of agriculture in this region,
8 there are important concerns that the current
9 unfavorable economic conditions in US Agriculture
10 and this region's agriculture are caused by trade.
11 And we would just like to make two points in this
12 regard.

13 First, research shows clearly that
14 prices in grain and livestock markets are
15 determined nationally and internationally. And
16 recent grain and livestock prices would prevail
17 irrespective of the relatively small amount of
18 grain and livestock trade between Canada and the
19 United States.

20 Second, because this region and the US
21 stands to gain so much from progress in the

22 upcoming WTO round, we should not let regional
23 disputes, such as the recent ones between Canada
24 and the United States over livestock and grain
25 trade issues, prevent progress in the WTO. That's

1 a concern that we have that regional disputes could
2 disrupt the making progress in the WTO that we
3 think is so important. Jim, if you could just put
4 up the other slide.

5 I'd just like everybody to know and take
6 this opportunity to advertise a little bit more
7 that on November 1st and 2nd of this year, we'll be
8 sponsoring a conference on the WTO negotiations
9 that will focus on issues for agriculture in this
10 region. And we're producing a booklet manuscript
11 of studies about that topic that we'll be
12 publishing before that. And so we would invite you
13 all to also come and participate in that conference
14 which will be held in Great Falls. And, again,
15 welcome to MSU and we look forward to a very
16 productive session. Thank you.

17 MR. NELSON: Thanks, John. And, now, we'll
18 get down to the real business of the day, which is
19 hearing from the folks who have come from a long
20 ways, in many cases, to share their thoughts on
21 trade and the negotiations.

22 And it's my job today, as Ralph said, to
23 try to make sure that this goes along smoothly.
24 And so let me explain how this is going to work or
25 how we hope it's going to work. Each presenter is

1 going to have five minutes to present and then the
2 panel will have an opportunity to ask questions.
3 And so if you look close at the schedule, it looks
4 like you have eight minutes to speak. Well, I just
5 want you to know you don't really. You have about
6 five minutes to speak and then some time for the
7 panelists to ask questions.

8 I know that there's folks who have
9 brought written testimony along, and in some cases,
10 that's longer than five minutes, so we would ask
11 that you summarize the testimony so that you only
12 take five minutes in your presentation. But we do
13 have Alan Hrapskwy. Alan, would you stand up,
14 please, and wave to the folks? Alan will be
15 collecting everybody's written testimony. So
16 whether or not you get to present that here today,
17 it will become part of the record and so folks will
18 have a full chance to look over everything you
19 would have liked to have said.

20 Now, the way this is going to work is
21 that we have a timer light up here, and to make it

22 simple for those of us in Montana, it's like a
23 stoplight, which we don't have a lot of. Here's
24 how the stoplight is going to work: The timer
25 will be green for the first four minutes of your

1 presentation, and then in the last minute, it will
2 turn yellow, and then when you're done, it will
3 turn red. Now, I want you to know that Janna here,
4 who's going to be helping me with this and will be
5 timing you, is noted as being pretty darned tough.
6 So just a warning to anybody that might think that
7 they have an opportunity to speak extra, they will
8 have to deal with her and I don't think you want to
9 do that.

10 Seriously, I would ask that everybody
11 respect the rights of everybody to have a chance to
12 share their thoughts with us today. We have a lot
13 of folks on the agenda and so we want to make sure
14 that everybody gets a chance to speak. In order to
15 keep things moving along, we've got a couple of
16 speaking places up in front here, and I appreciate
17 Marta and Dave, who are the first folks on the
18 first panel, going up there right now. What we'd
19 like to do is I will list the folks in each of the
20 groups, if you look at the agenda that was handed
21 out, it lists the groups and it lists the speaking

22 order. So everybody should know when they're going

23 to speak approximately and who they're going to

24 follow.

25 What I will do is I will call the

1 speaker and ask them to speak, and then when they
2 finish, I would ask them to, please, after the
3 panelists have had an opportunity to ask their
4 questions, to go back into the audience. And then
5 I will then call the next speaker and the person
6 who is going to follow them. And I would ask that
7 the person who is going to follow the speaker come
8 on up so we can keep this moving along.

9 There's going to be two breaks today,
10 that is, if we're all good and keep on schedule, at
11 10:30 to 10:45, and another one this afternoon from
12 2:20 to 2:35. We will have a lunch hour, if we run
13 into the noon hour, it means we won't get a full
14 noon hour for lunch because we have to start right
15 away this afternoon at one o'clock to keep things
16 on schedule. There are a number of places here in
17 the Student Union Building for folks to eat and get
18 a quick lunch, so there isn't really too good a
19 reason not to get back on time.

20 For folks who are representing the media
21 here today, and we really appreciate them joining

22 us, you are invited to participate in a briefing
23 session during the noon hour. It will take place
24 in this room. I would like to introduce, and I
25 don't have my eye on her, Marlene Phillips from the

1 Foreign Agriculture Service Staff, who you will be
2 working with on this briefing. So if you're
3 wondering where to go at noon, just keep an eye on
4 Marlene and she'll make sure that you have a chance
5 to get together with the folks you want to get
6 together with.

7 I do appreciate that we have sign
8 language interpreters here today. For those of you
9 out in the audience, they're down on the far right
10 end of the platform up here to give those who
11 are -- who have a little difficulty seeing or
12 hearing to participate in the session as well. We
13 are recording the session, so everybody's remarks
14 will be part of the record, and we appreciate their
15 help today.

16 So with that, finally we will go ahead
17 and get started. Let me go through the first group
18 of speakers again so that everybody knows who's in
19 the first group. When this group gets done, we
20 will take our first break. We have Marta Ferguson,
21 who is the Central Field Representative for

- 22 Congressman Rick Hill; Dave McClure, who is the
- 23 President of the Montana Farm Bureau Federation;
- 24 Leonard Schock, who is the Chair of the Montana
- 25 Wheat & Barley Committee; Mary Schuler, who is the

1 National First Vice President of Women Involved in
2 Farm Economics; Ken Siroky, Montana producer from
3 Roy; Ken Maki, Montana President of the Farmers
4 Union; Ralph Peck, Director of Montana Department
5 of Agriculture; and John Antle of the Trade
6 Research Center here at MSU.

7 So with that, Marta, thanks very much
8 for joining us and appreciate you and Dave starting
9 us out.

10 MS. FERGUSON: Good morning. I wanted to
11 thank you for bringing this listening session to
12 Rural America. And I want to especially thank you
13 for having this session in Montana. Thank you,
14 also, to all those responsible for organizing this
15 event, including Montana State University and
16 Montana's Department of Agriculture. I apologize
17 that I cannot attend this session in person. I
18 have asked Marta Ferguson, my Montana Central Field
19 Representative, to submit my statement for the
20 record.

21 Montana depends on agriculture, a

- 22 renewable resource generating annual cash receipts
- 23 of nearly \$2.5 billion. It leads all other
- 24 industries in providing the base for our economy.
- 25 More than 100,000 Montanans make their living

1 either directly or indirectly from farming and
2 ranching, about 1 in every 5 jobs.

3 Montana agriculture has experienced some
4 very tough years. When I visit with other members
5 of the congress, I explain the plight of
6 agriculture producers with this simple example,
7 "In 1978, feeder cattle sold in the high 60 cents
8 and a pickup truck cost less than \$8,000. Today,
9 feeder cattle still bring somewhere in the 60-cent
10 range, but pickup trucks cost over \$20,000."

11 Statistics show farm household income
12 holding fairly steady, but only because more and
13 more families have realized that at least one
14 spouse needs to take a job in town in order to make
15 ends meet. Unfortunately, many experts predict
16 little or no improvement in 1999.

17 There are many reasons for this economic
18 downturn in agriculture country. Financial
19 problems in Asia, Russia, and South America have
20 dried up markets. A strong dollar makes our
21 products more expensive relative to our foreign

22 competitors. American farmers and ranchers rely
23 more heavily on foreign markets and workers than
24 any other sector of the economy. One out of every
25 three acres of cultivated farmland in the

1 United States grows for export. Yet ag exports
2 have expanded at a slower pace than has trade for
3 American manufactured goods and services.

4 In my opinion, part of the fault lies in
5 the lack of understanding of agricultural issues by
6 current trade negotiators. For example, we must
7 have agriculture trade reciprocity with our
8 neighbors to the north. There was much fanfare
9 about the record of understanding between the US
10 and Canada announced last December, yet their
11 agreement left in place many of the problems
12 associated with NAFTA. The people who negotiated
13 this agreement either don't understand the trade
14 problem or they intentionally disregard critical
15 issues.

16 We also need transparency of wheat
17 pricing in countries like Canada. It is not
18 acceptable to me that the Canadian Wheat Board
19 continues to resist opening their books while
20 American producers suffer from the steady influx of
21 Canadian grain. State trading enterprises and

22 tariff rate quotas must be closely examined and
23 addressed in this round of negotiations.
24 American agriculture cannot compete with
25 foreign government-owned and -operated industries.

1 If steps cannot be taken to lessen the impacts of
2 the STEs and TRQs, then concession should be made
3 to the United States. In order for the WTO to be
4 an effective agent between trading countries, the
5 WTO must strictly and quickly enforce trade
6 violations. The recent dispute between the
7 European Union and the United States over beef
8 imports into that region has been an attest of the
9 effectiveness of WTO rulings. We need to make sure
10 that in future negotiations, significant
11 consequences follow trade violations.

12 The next round of negotiations must
13 further define sanitary/phytosanitary restrictions.
14 Look for science-based restrictions and cases where
15 SPS is used as a tool to restrict fair trade, and
16 then look for ways to seriously address violations.
17 The Administration must also take steps to protect
18 brand identity and health and safety standards.
19 The USDA grade stamp is a perfect example of both
20 brand identity and high health and safety
21 standards. We must not allow other countries to

22 hide behind the brand identity and the health
23 standards that our producers and consumers have
24 spent millions creating.
25 Agriculture issues will be some of the

1 most difficult issues to address in the next round
2 of negotiations. However, we must aggressively
3 pursue fair and equitable trade regarding
4 agriculture. Those representing the United States
5 at the Seattle Round must fight to eliminate
6 direct and indirect subsidies that cause over
7 production and disrupt. We must not fall to early
8 harvest temptations.

9 Given the current situation of
10 agriculture, the next round of WTO negotiations
11 will play a critical role in the future of American
12 farms and ranches. Do not allow the opportunity
13 for equitable trade to slip away. It is also
14 essential that the Administration aggressively
15 pursue anti-dumping measures against those who seek
16 to shift their problems on our markets.

17 Thank you, I'm getting flashed. And I
18 have a written testimony so I'll give it to Alan.
19 Thank you. Sincerely, Congressman Rick Hill,
20 Representative for all of Montana.

21 MR. NELSON: Thank you, Marta. Panelists?

22 Thank you, Marta. David McClure from the Montana
23 Farm Bureau Federation, State President, from up in
24 Lewistown. And then the next speaker will be
25 Leonard Schock, who is the Chairman of the Montana

1 Wheat and Barley Committee. So, Dave.

2 MR. McCLURE: Thank you. Mr. Chairman,
3 members of the committee, and distinguished guests,
4 I appreciate the opportunity to testify before you
5 today regarding negotiating objectives for
6 agriculture in the next round of trade talks in the
7 WTO.

8 For the record, I am David L. McClure,
9 farmer/rancher from Lewistown in central Montana,
10 and President of the Montana Farm Bureau Federation
11 representing 8,500 member families in the Treasure
12 State. Our members produce everything you can grow
13 in our climate including, barley, oats, durum
14 wheat, beef, wool, lamb, corn, sugarbeets, honey,
15 and mint. Agriculture is the number one industry
16 in Montana, and as a rural state, agriculture
17 derives much of the economy and, more important, it
18 defines our character and value as a people.

19 Montana agriculture depends on access to
20 consumers around the world for the sale of over
21 one-third of our production. Agriculture is one of

22 the few US industries that consistently runs a
23 trade surplus posting a positive balance of trade
24 since 1960. US agriculture must be represented at
25 the negotiating table at the next WTO round in a

1 meaningful way with trade negotiating authority to
2 ensure that this trade surplus continues.

3 The ability of agriculture to gain and
4 maintain a share of global markets depends on many
5 factors, including maintaining strong trade
6 agreements that are properly enforced, enhancing
7 the Administration's ability to negotiate increased
8 market access for US Agriculture, and building the
9 necessary changes to the WTO dispute settlement
10 process to ensure timely resolution of disputes.

11 Montana Farm Bureau members, like US
12 agriculture producers nationwide, are reeling from
13 low commodity prices. In 1998, overall revenue
14 from agriculture sales in Montana dropped 11
15 percent, according to the Montana Ag Statistics
16 Service. Anecdotal evidence for '99, shows the
17 chances of an even greater drop this year. Given
18 an abundant domestic supply in the stable US
19 population rate, the job of expanding market access
20 and opening new markets for agriculture is more
21 important than ever.

22 Agriculture's long-standing history of
23 balanced trade surplus will not continue if we are
24 relegated to the sidelines as new negotiations in
25 agriculture commence. Moreover, global food

1 demands is expanding rapidly, and more than 95
2 percent of the world's consumers live outside US
3 borders. Despite significant progress in opening
4 US markets, agriculture in other nations remains
5 one of the most protected and subsidized sectors of
6 the world economy. In addition, US agriculture
7 producers are placed in a competitive disadvantage
8 due to the growing number of regional trade
9 agreements among our competitors. Global trade
10 expansion has significant potential for American
11 agriculture and for producers in Montana. But if
12 the United States now leaves it to others to form
13 new trade pacts and write future rules for trade,
14 the US producers, processors, and exporters will be
15 severely disadvantaged in the competitive
16 marketplace of the 21st Century.

17 We urge that trade policies be developed
18 and promote the growth in world trade, but not at
19 the expense of US producers who have set the
20 example for the rest of the world by opening our
21 borders to free trade more than any other nation in

22 the world. To this end, US negotiators must
23 comprehensively address high tariffs, trade
24 distorting subsidies, and other restrictive trade
25 practices in the new round of negotiations on

1 agriculture.

2 As our first objective for the next
3 round, Montana Farm Bureau supports expedited
4 action for the next round of agriculture in the
5 WTO. Our market is the most open in the world, we
6 urge you that your representatives do not sit idly
7 by while our competitors trade openly in our
8 market, but deny us access to our markets on
9 unequal terms. You must begin the negotiations and
10 conclude them as early as possible to put Montana
11 agriculture producers on a level playing field with
12 the rest of the world.

13 To this end, I strongly commend you for
14 supporting the goal to complete the agriculture
15 negotiations by the end of 2002 to ensure our
16 producers get increased market access in a timely
17 manner. I urge you to stay the course.

18 I see my time is rapidly slipping away,
19 so I'm going to skip through some of my written
20 testimony and say that Montana Farm Bureau supports
21 a single undertaking for the next round, wherein

- 22 all negotiations conclude simultaneously with no
- 23 early results for any sector, including tariff
- 24 reductions for the Asia Pacific Economic
- 25 Cooperation Sectors. The Farm Bureau is very

1 concerned with the proposal for what they call
2 "early harvest" that has been proposed, wherein
3 some agreements might be completed and leave the
4 tough issues until the end.

5 We have cooperated with and have an
6 agreement with 82 other agricultural organizations
7 and agricultural production efforts to oppose early
8 harvest, and we would like the single undertaking
9 to be the process that we use in these
10 negotiations. That letter has been signed by all
11 82, and our entire congressional delegation in
12 Montana supports our opposition to the "early
13 harvest" proposal. Thank you.

14 MR. NELSON: Thank you, Dave. Panel?

15 MR. GALVIN: Perhaps, just a general comment
16 in response to these first two statements.
17 Remember the slide you saw, we had 8 rounds from
18 1948 until 1994, dealing with only industrial
19 products. And so it was the Uruguay Round, for the
20 first time, where agriculture got into the game.

21 So we want to make progress in this next

22 round, we're all anxious to do that. We have to
23 remember that it took us a long time to get to
24 where we are with industrial products and we've
25 really just begun now with agriculture.

1 But the second important thing is that a
2 lot of those rounds took six years and eight years
3 and ten years. There is a commitment here for this
4 next round to go three years, which is very, very
5 encouraging. We want to make this round not only
6 productive, but also timely.

7 MS. LAURITSEN: I wanted to address the last
8 issue that you raised because I suspect it will
9 probably come up a lot today. And that is the
10 issue of a proposal that was submitted a couple
11 weeks ago for early and ongoing results and has now
12 been framed and called "early harvest."

13 As we speak, there are discussions going
14 on in Washington with USDA, USDR, and other
15 departments, to make a decision. Agriculture's
16 voice has been heard loud and very clear on this
17 particular issue. We're very sensitive to their
18 interests, and so we are in the process of deciding
19 how to move forward on this in the next couple of
20 weeks.

21 So I do want to say that your message

22 has made it up to Secretary Glickman and
23 Ambassador Barshefsky, and they are consulting and
24 trying to decide how to move forward.
25 I do have a question, though, from your

1 written statement, and that's in the area of
2 biotechnology products. I guess, have you done any
3 analysis as to how we can move forward in ensuring
4 that we have market access for biotech products
5 without opening up the SPS agreement? Because I
6 noted that was in your statement as well that you
7 don't support reopening of the SPS agreement, and I
8 don't think the US government is at a point either
9 where we would want to open up the SPS agreement.
10 But I was wondering if you have given any thought
11 as to how we tackle this problem we're having with
12 the EU on biotech in the new round?

13 MR. McCLURE: Well, thank you. And, yes,
14 that is a concern of ours. We think that the SPS
15 agreements are good the way they are and need to be
16 enforced. However, the European community on
17 bananas, beef, and biotech seems to be lying in the
18 face of good solid science, so get to the
19 negotiation table and express those concerns to
20 them directly. And that's why we're concerned
21 about what's called "early harvest." We think that

22 agriculture would be the loser if we sign off on
23 all the easy issues and leave the tough for last
24 because it appears that agriculture is facing those
25 tough issues in the negotiation coming.

1 I would also say that I also just
2 returned from Canada where we met with producers up
3 there, and I would like to thank Tim Galvin for
4 joining us there. His reports, I think, really
5 facilitated our efforts there to address border
6 irritants and the problem of unequal access across
7 the Canadian border.

8 MR. NELSON: Any other questions, Panel?
9 Dave, thanks very much. And, again, we want to
10 make sure Alan gets a copy of your statements so we
11 can get it in the record. I would like to ask the
12 presenters to make sure that you're speaking right
13 into the mike. Apparently, it's a little hard to
14 hear in the back. So, Leonard, when you get a
15 chance here, you can talk directly into the mike.

16 Leonard Schock, who is the Chairman of
17 the Montana Wheat and Barley Committee is next,
18 followed by Mary Schuler, who is the National First
19 Vice President of Women Involved in Farm Economies.
20 Leonard, thanks for coming.

21 MR. SCHOCK: Mr. Nelson, distinguished

22 members of the Panel, I'm Leonard Schock, a grain
23 producer from eastern Montana, and currently the
24 Chairman of the Montana Wheat and Barley Committee.
25 This committee is a producer-funded checkup program

1 in the state, and sister organizations in the other
2 states are commonly called Commissions.
3 You have before you my formal written
4 testimony regarding the WTO provisions that the
5 producers of Montana would like the US Trade Office
6 to honor. But I suspect at this late date, this
7 being the last listening session, that there's
8 probably little in my testimony that you have not
9 already heard. In fact, the phytosanitary issues
10 that some of our partners use as quasi quotas our
11 domestic price supports are diminishing in this
12 country but continue on with our traders around the
13 world in their markets. State trading enterprises
14 and the lack of transparency in those and general
15 tariff reductions are all what you've heard before.

16 The US Trade Representative Office
17 probably has the bulk of good position already
18 drafted and ready for the table. So I would like
19 to talk about an issue that seems to bother a lot
20 of Montana grain producers, and that's the attitude
21 that we go to these negotiations with.

22 In the early days of my farming career,
23 I, along with my friends and neighbors, experienced
24 the first of five historic trade-related federally
25 mandated events; a 1985 Farm Bill and the EEP

1 program. EEP is a direct subsidy of US exports for
2 the first time, and was intended to send a clear
3 message to the world the US can subsidize, too.
4 "If you don't stop the practice, we will subsidize
5 you into the ground."

6 Waiving our big EEP sword, the US went
7 into GATT negotiations with a zero tolerance
8 subsidies. But when GATT was concluded, we had
9 compromised and agreed that a certain level of
10 subsidization was okay. But by doing so, we
11 legitimized a practice that we had previously
12 held to be wrong, subsidies maybe weren't so bad
13 after all.

14 And then to compound the error, our US
15 congress adopted a concept that the trade war was
16 over. And as a result, the US has not maximized
17 even the permitted amount of the subsidy.

18 After the 1985 Farm Bill, came the
19 Canada Free Trade Agreement. The sense that I have
20 after all these years that it was a warm up to US
21 negotiations to the NAFTA agreement, and both were

22 preliminary to the real action of GATT. Now, we
23 producers have the fifth agreement that shapes our
24 economic reality today, the 1996 Freedom To Farm.

25 This bill was designed for farmers to

1 receive the reward from the marketplace, not the
2 government. The carrot was I could raise whatever
3 crops I wanted and the market would tell me what to
4 raise, how much, rather than governments mandating
5 this. Most producers, like myself, responded. I
6 raise several other crops on the farm today,
7 safflower, mustard, and peas, probably 60 percent
8 of the wheat I raised in the eighties. But they
9 all have one thing in common today, none of them
10 are worth much.

11 In fact, the last decade and a half,
12 nothing has changed in agriculture for the better
13 of the market place. Before CFA, NAFTA, GATT, the
14 1985 and 1995 Farm Bills, US was a residual
15 supplier of wheat to the world. We still are.
16 Prices were very low in 1985, and they're even
17 lower today. In the eighties, the US farmers
18 competed not against foreign farmers, but against
19 those foreign farmers' governments. And we still
20 do today, the European Union with their heavy
21 subsidies.

22 So my suggestion is simple, adopt a
23 clear, simple, beneficial position for US
24 Agriculture. I agree strongly, like Mr. Glickman,
25 that a strong agriculture economy is good for the

1 country. And when you come up with this position,
2 stick with it. It's the last-minute compromises
3 dictated by the Secretary of State's office or US
4 Treasury or EPA that leaves agriculture holding the
5 bag. Make sure your position going into this round
6 is an economically viable one for our key industry.
7 Go after the ratification, put some backbone in the
8 negotiating attitude, and don't quit until we get a
9 good agreement.

10 MR. NELSON: Thank you, Leonard. Panel?

11 MR. GALVIN: If I could just respond on a
12 couple of points. I understand the feelings on the
13 EEP program are very strongly held. It's been our
14 position at USDA, based on very careful economic
15 analysis, that given the marketplace of the last
16 couple years, a really soft demand that we're
17 seeing, that using EEP just wouldn't buy us much in
18 terms of increased demand. And it would, quite
19 possibly, force down prices not just worldwide for
20 grain, but here as well. Maybe not so much on
21 wheat, but on feed grains, in particular, if we

22 were putting out a lot more subsidized wheat that
23 was sold not for milling purposes but for feeding
24 around the world. So that's been one big concern,
25 is the effectiveness of EEP in this sort of very

1 flat demand environment that we find ourselves
2 today.

3 You're right, of course, that the EU
4 continues to subsidize their wheat and flour
5 exports. Although, even in their case, they're not
6 subsidizing as much as they're entitled to under
7 the WTO agreement. And, in fact, they've lost on
8 wheat and flour exports over the last year, they're
9 levels are down quite a bit as well.

10 I wanted to also mention some of the
11 other tools that we're using, and I think using
12 quite aggressively, to help on the export side.
13 The first I want to mention is our export credit
14 guarantee program. Last year we put out
15 \$6 billion, total, in export credit guarantees.
16 That's the second highest level on record. And we
17 felt that our aggressive use of that program was
18 very helpful in allowing us to stay in the game in
19 the wake of the collapse of our markets in Asia.
20 We think that the export credit program made all
21 the difference in export markets like South Korea,

22 for example, where it really allowed their import

23 system to stay in place and they could keep

24 purchasing US commodities.

25 The second major tool I wanted to

1 mention is our humanitarian assistance programs.
2 And, as you may know, in the current year, we've
3 got an unprecedented commodity donation program
4 underway overseas. And, in fact, wheat is the
5 largest component of that, by far. This year we're
6 programming about five million metric tons of
7 donation for wheat. So I think that's really been
8 helpful as well in terms of trying to sustain some
9 level of market activity even in the wake of the
10 very soft commercial demand. So I just wanted to
11 make those couple of general points.

12 I did have a question that I would like
13 to hear a discussion about during the course of the
14 day, and that is on the issue of state trading
15 enterprises like the Canadian Wheat Board, and what
16 specifically should be our objective toward those
17 types of boards in the next round. Should we be
18 out to have them abolished or, as I interpret your
19 statement, that we instead should be looking to
20 impose greater disciplines on them? Like more
21 transparency or market disciplines and that sort of

22 thing. So I think it would be good to hear some
23 specific comment as to whether or not people would
24 support abolishing those boards all together or
25 whether you would simply like to see more

1 discipline in their operations.

2 MR. SCHOCK: I think abolishing would be the
3 ultimate goal. But in the negotiating process, it
4 probably wouldn't happen. So we go for the more
5 minor one of making it very transparent and maybe
6 they would abolish within their own country's
7 borders once people see the true cost of what those
8 enterprises are costing the government. So the
9 transparency is probably going to happen first.

10 MR. NELSON: Panel, any other questions?
11 Leonard, thanks very much. Next is Mary Schuler,
12 our National First Vice President of Women Involved
13 in Farm Economics. While she's here on behalf of a
14 national organization, currently today she is a
15 Montanan and a neighbor from Dutton. The next
16 speaker is Ken Siroky, who is a Montana producer
17 from Roy, Montana. So, Mary.

18 MS. SCHULER: Ladies and Gentleman of the
19 panel, welcome to Montana. I've been to
20 Washington, D.C. recently so I hope you're enjoying
21 our nice weather here.

22 I'm Mary Schuler, a farmer in north
23 central Montana. My husband, Dick, and I raise
24 small grains, pulse crops, and commercial cattle.
25 We struggled through the farm crisis of the

1 eighties only to find worse conditions in the
2 nineties. The 1996 Fair Agriculture Improvement
3 and Reform Act promised us access to expanded
4 markets and to increase our income. This hasn't
5 happened. And the price of wheat today is 92 cents
6 less than it was at this time in 1985.

7 I live just off Interstate 15, and see
8 the trucks go by daily loaded with Canadian grain
9 and cattle. Whether this is a perceived problem or
10 reality, it is very depressing to a very depressed
11 industry. There's a group of northern Montana and
12 Alberta women that have been meeting on a regular
13 basis to educate ourselves and also to discuss
14 trade policies. We found that the farm crisis is
15 not only in the US, it's in Canada also. And I
16 read in the paper just this week that in Argentina
17 the farmers are hurting, too.

18 One of the most important things that
19 has come out of these discussions and also at the
20 Montana-Alberta Agricultural Opportunities
21 Conference is the feasibility of developing a trade

22 partnership in which we, who raise the same
23 commodities, can work together to market them
24 rather than working against each other. We hope
25 that you who are listening today will support any

1 efforts to further this alliance and help us make
2 it a reality.

3 Presently, I serve as Vice President of
4 Women Involved in Farm Economics. This year we
5 selected the following priority issues: Working
6 toward opportunities for a fair return on the
7 producers' investment through actions that increase
8 foreign and domestic trade, enhance opportunities
9 for marketing our product at a profitable level,
10 providing harmonization of international trade
11 regulations, support legislation favorable to
12 agriculture producers.

13 When we talk trade, we want to make it
14 very clear that free trade is not always fair
15 trade. American agriculture producers deserve fair
16 trade.

17 WIFE supports action to effectively deal
18 with the negative impact that foreign imports have
19 on the profitability of our agriculture industry.
20 We urge that the United States impose and enforce
21 trade regulations no less stringent than those of

22 the various exporting countries with which we do

23 business.

24 We believe in fair worldwide

25 export-import regulations, and insist that there

1 are the same strict standards and inspection
2 procedures imposed on all imported food products as
3 on those produced in the United States. Further,
4 we believe that imported food products should be
5 withheld from the market until they are tested and
6 found to comply with the United States Department
7 of Agriculture standards.

8 And your question of the state trading
9 enterprises, in the process of these CANAM meetings
10 we've had, the Canadians are no more happy with
11 their Canadian Wheat Board than we are. And we're
12 kind of hoping that they will do away with it
13 themselves and save us the problem.

14 We support timely implementation of fair
15 trade agreements including provisions for
16 expeditious dispute resolutions, resolution of any
17 sanitary and phytosanitary barrier disputes, and
18 the resolution of currency differentials and
19 fluctuations.

20 We understand that fast-track is one
21 method of opening global markets and will support

22 its use if it will provide safeguards protecting
23 grassroots agriculture producers.
24 I read in the June 30th FARMWEEK
25 newspaper, a comment made at the Indianapolis

1 listening session by Barbara Chatten, assistant to
2 Ambassador Barshefsky, "Agriculture is clearly
3 going to be the heart of the next round of trade
4 negotiations." However, my local farm broadcaster
5 reported this week that agriculture is being pushed
6 aside. Although, we are few in number, may I
7 remind you that agriculture is the number one
8 industry in this country representing 15 percent
9 of the gross national product, providing one out
10 of ever six jobs, and each farmer providing food
11 and fiber for 128 people. As it's been brought up
12 earlier, in 1990, the US exported \$40.2 billion
13 worth of farm products.

14 As you approach the World Trade
15 Negotiations, WIFE recommends that all negotiations
16 have representation from agriculture producers. We
17 urge you to negotiate trade agreements that will
18 not limit the authority of the US congress to
19 legislate agriculture products. Thank you.

20 MR. NELSON: Thank you, Mary. Panel, any
21 questions or comments? Thanks very much, Mary.

22 Ken Siroky from Roy, and then the next speaker will
23 be Ken Maki, President of the Montana Farmers
24 Union. Ken, since you joined us a little bit late,
25 I just wanted to let you know we're going about

1 five minutes here. I wasn't sure if you heard
2 that. And you'll have a chance to submit your
3 statement for the record. So thanks for joining
4 us, Ken.

5 MR. SIROKY: Good morning and thank you for
6 providing this opportunity. My name is Ken Siroky,
7 and I'm a third-generation rancher/farmer from
8 Roy, Montana.

9 I'm speaking on my own behalf, but have
10 membership in or contribute to Montana Farmers
11 Union, Northern Plains Resource Council, National
12 Farmer's Organization, Nebraska Center for World
13 Affairs, Ox Farm America, and participate in the
14 Campaign to Reclaim Rural America.

15 I've spent the last three weeks on
16 haying equipment thinking a lot about what to tell
17 you and was met with frustration. Agriculture's
18 frustration and failures can, in part, be traced to
19 trade policy. My personal frustration is a
20 suspicion that exercises like today are an attempt
21 to buy off the rabble cheap and whatever will

22 happen with trade policy is already decided.

23 It has occurred to me that Charlie

24 Tries's legal campaign contributions may well have

25 a more positive impact on China's side of the

1 China/US trade policy than anything I or my fellow
2 citizens have to say here today.

3 Nevertheless, I am here and would like
4 to call your attention to two sets of locking
5 pliers I have here that I recently purchased from a
6 Billings area ag supply store. One is an American
7 made vice grip brand name, and the other is a
8 pretty good quality knockoff import. The US made
9 vice grip cost \$11.75; the import, \$2.49; a \$9.26
10 difference. Now, this is what apparently we've
11 got, I believe what Mr. Schroeder said, from what
12 was 50 years of negotiation. I think that's
13 interesting.

14 I feel there is at most a \$2 or \$3
15 quality difference resulting in a price
16 undercutting of \$6 to \$7 of the USA product. This
17 means that the vice grip business of DeWitt,
18 Nebraska has unfairly stiff competition and an
19 uncertain future. The people who work there and
20 earn a good wage are fewer in number and may not,
21 at some point, work at all because of this

22 competition and consequently not be able to buy
23 what I produce.
24 Additionally, the people who make the
25 \$2.49 pliers probably aren't earning enough to buy

1 what I produce at a high enough level to sustain my
2 family and operation in this economy. The people
3 who conduct this international business are
4 modern-day pirates stealing from both ends of the
5 middle. They don't ransack ships anymore, they
6 just hire them.

7 Free trade is a plan designed by greed
8 for greed. It is an inevitable response to the
9 side of human nature that tends to acquire,
10 control, exploit, take advantage. Greed is one of
11 the sins we seek to temper. In trying to bring
12 fairness to our common good, tempering greed is one
13 of the roles we ascribe to government. In the case
14 of free trade, government seems to prefer to aid
15 and abet the wrong side.

16 These days if a person is opposed to
17 free trade, the label "protectionist" and
18 "isolationist" is quickly attached. Not true.
19 Trade can exist outside the umbrella of free trade,
20 and will proceed in a more orderly fashion with
21 rules. The rules of free trade are to establish

22 the "no rules" idea of free trade. A concept that
23 challenges logic. In the real world, the nation
24 will continually be seeking advantages and
25 establishing trade defenses making the haggling

1 over nonrules infinite.

2 There are those who say they are for
3 free trade as long as there is a level playing
4 field. This is an oxymoron. I refer you to my
5 locking pliers example. The \$6 to \$7 difference
6 between the producer and consumer economies can
7 almost exclusively be attributed to two factors,
8 labor cost and currency exchange rates. To ignore
9 these factors is to unfairly skewer the domestic
10 market and unfairly enrich those taking advantage
11 of the situation. To account for labor and
12 currency exchange rates is to disavow free trade.
13 Incidentally, equal access is not a level playing
14 field.

15 I'm opposed to free trade because it
16 transfers wealth from the many to the few.

17 I am opposed to free trade because it
18 averages our economy in with the others of the
19 world. In that situation, our direction is down.

20 But lest I be totally negative and
21 cynical, I would like to conclude on a positive

22 note. I would like to congratulate the trade
23 negotiators who defended Chiquita Banana against
24 those weasly small banana producers of the
25 Caribbean. As a result, the Montana/North Dakota

1 Banana Producers Association is pleased to report
2 another year of stable net income. Thank you.

3 MR. NELSON: Thanks, Jim. Panel?

4 MR. GALVIN: Can you indicate where those
5 imported vice grips came from, what country?

6 MR. SIROKY: I called the store and they
7 didn't know. All they assured me was they were
8 imported.

9 MR. NELSON: Panel, any other questions or
10 comments? Jim, do you --

11 MR. SCHROEDER: I don't have any questions.
12 I really enjoyed your comments very much. I would
13 love to make some comments back.

14 MR. SIROKY: Feel free, sir.

15 MR. SCHROEDER: Just let me say this, and
16 this is sort of a general point on the objectives,
17 goals of our trade negotiators because that's been
18 raised several times. Believe it or not, we don't
19 go in some back room sometime and figure out our
20 own agendas. This Administration, the last
21 administration, the trade negotiators that are in

22 the executive branch, and particularly in the area
23 of trade and agriculture, is the vast array of
24 forces and sources of inputs that we listen to and
25 that guide us.

1 We have not only sessions like this, we
2 have agriculture policy and agriculture trade
3 advisory committees, both at the Department of
4 Agriculture, as well as, at the USTR. Our congress
5 requires, and if we didn't require, we would be
6 crazy not to, we consult constantly with our
7 elective representatives. So our whole trade
8 agenda, our policies, and our goals are the result
9 of our whole system of government.

10 Now, for a long time, certainly since
11 1945 and the end of World War II, but I think you
12 can probably go back further than that, you would
13 might want to go back to New England traders of
14 1700s, freer trade and fairer trade has been a
15 general objective of the United States of America.
16 We generally prospered under that system and some
17 people would oppose that, object to it, it's not
18 perfect. But that's where we are today, and I
19 think it's probably a balance that's been good for
20 us.

21 MR. SIROKY: Not in agriculture, sir. If

22 you're growing stock options, you'll do well. If

23 you're growing anything else, you don't.

24 MR. NELSON: Panel? Ken, thank you very

25 much. Ken Maki, President of the Montana Farmers

1 Union followed by Ralph Peck, Montana Department of
2 Agriculture.

3 MR. MAKI: I've given copies to him, I hope
4 that the panel would have them. Good morning, my
5 name is Ken Maki, I'm President of Montana Farmers
6 Union. I own a small ranch in the Highwood
7 Mountains east of Great Falls. Montana Farmers
8 Union is a division of National Farmers Union,
9 which represents around 300,000 farm and ranch
10 families who make their living growing fiber and
11 livestock. And as one of these families, I know
12 that my livelihood depends on the price and trade
13 policy which allows me to receive a fair and honest
14 return in exchange for my labor, my efficiency, and
15 my resource conservation practices.

16 Although there have been some policy
17 shortcomings, we at Farmer's Union appreciate the
18 hard work of the USDR, USDA, Secretary of
19 Agriculture, and respected staffs. We're all in
20 the same battle here as we prepare for the WTO
21 ministerial round in Seattle.

22 Now, the free trade motto that has been
23 used to train our economists and students,
24 including me, makes several assumptions that do not
25 apply to the real world. For example, the motto

1 assumes, number one, competition throughout all
2 sectors from input to retail without the
3 anti-competitive effects of the concentration. And
4 I've handed out a handout by Dr. William Stringer
5 from the University of Missouri. You can read it
6 in your leisure, but it's 20 pages long.

7 Number two, no barriers to trade, or at
8 least the elimination of barriers not predicated on
9 science-based, health, or safety considerations.

10 And number three, relative economic
11 stability and equality among all trading partners
12 including minimal distortions caused by domestic,
13 fiscal, and monetary policies such as currency
14 evaluations.

15 Now, none of the above are true, so what
16 are we trying to do? We're putting farmers out of
17 business, I can tell you that. We believe that the
18 US is committing a serious transgression by
19 attempting to adopt a theoretical model to
20 real-world traditions based on inaccurate
21 assumptions. And I want to emphasize this because

22 I know all of you here, as well as your capable
23 staffs, were trained in this model just as I was.
24 But I remember the professor asking, "What are
25 those assumptions and do those assumptions apply?"

1 The raw material industry such as
2 lumbering, farming, and ranching hurt first and
3 they hurt worst when unsound policies are
4 recklessly administered. Please pardon the cliché,
5 but back on the ranch, the rubber meets the road.
6 Theory is great, but that's exactly what this is is
7 theory. And often times, it just doesn't work that
8 way in practice.

9 We would caution against attempts by US
10 negotiators to bargain away American or any other
11 nation's domestic farm policies which, in turn,
12 depress net farm income. Such policies will force
13 family-sized units to go broke and decimate rural
14 communities, and that's happening. Perhaps the
15 large corporate farming will survive in the short
16 run at the expense of the smaller units, but what
17 about the long-run picture? Laissez-faire is not a
18 beneficial policy for competitive agriculture which
19 must operate in a price administered over time.
20 This is inconsistent and it's irrational. A free
21 market framework is not always the most effective

- 22 way to achieve natural resource conservation or
- 23 environmental protection.
- 24 Multinational food and fiber
- 25 corporations who can move from country to country

1 and profit by a trade at all costs will ultimately
2 have to answer these questions, but by that time,
3 the fabric, and I emphasize, the fabric that helped
4 make this nation great will be destroyed. Trade is
5 important, but so are our farmers and ranchers.
6 And a lot of our members, they feel this run-away
7 free trade train ought to be derailed. But I would
8 give you a few general observations.

9 The Uruguay Round calls for decoupling
10 of income supports for producers. We believe that
11 decoupled income supports have not been proven to
12 be the least trade distorting instruments in all
13 economic admissions. For example, decoupled
14 payments often lead to higher land values and
15 higher cash rent regardless of the commodity grown
16 on it. Number two, decoupled payments will not
17 necessarily slow consolidation of the units.

18 Of the four types of income support
19 payments allowed under the green box criteria, we
20 feel there should be no restrictions on the type of
21 income support and safety net programs designed to

22 limit domestic price supports. And we actually
23 prefer no further eroding of tariff rate quotas
24 especially in beef and sugar, those are important
25 to us here.

1 And finally, it seems to us there should
2 be a green box exemption for coupled,
3 commodity-specific, diminimous tariff and trade
4 practice. On your form, I have listed 12 specific
5 recommendations and I'm not going to go through
6 them in the interest of time. But I would ask that
7 you listen carefully to the views of farm and ranch
8 families whose initiative, entrepreneurship, and
9 responsibility to their land and their rural
10 communities have helped make the US a premier
11 grain, fiber, and livestock supplier for the world.
12 Our conservation farming practices corroborate our
13 commitment to restore stewardship while meeting the
14 most comprehensive environmental standards in the
15 world. Our labor and health practices set the
16 standard for most nations, and our inspection and
17 safety regulations are not even considerations in
18 many nations. Farmers Union wants these standards
19 kept for our producers and all US citizens. Thank
20 you for your time and I would be happy to answer
21 any questions.

22 MR. NELSON: Thank you, Ken. Panel?

23 MR. GALVIN: Ken, I did have a question. On

24 your point on beef, you made the comment that we

25 should not increase our current import quota on

1 beef. Is that your position? And, obviously, we
2 wouldn't want to do that on a unilateral basis, we
3 wouldn't want to just do it without getting
4 something in return, but if we could get something
5 in return like lower tariffs in Asia on US beef
6 exports, heading in that direction, would that
7 change your view at all?

8 And I ask the question because right now
9 the US is a net importer of beef on a pound basis,
10 on a volume basis. But we're a rather substantial
11 net exporter if you look at it on a value basis,
12 and that's because of all the top quality beef that
13 we're sending to Japan and Korea and elsewhere. So
14 we are a substantial net exporter in valued terms,
15 but we're not in volume terms. But I would just be
16 curious in getting your reaction as to whether or
17 not we should allow increased imports if we could
18 get some offsetting benefits by way of reduced
19 tariffs or increased quotas for US beef heading
20 overseas?

21 MR. MAKI: My understanding is that the

22 tariff rate quotas, we're already down in a very,
23 very small percentage, as far as beef is concerned.
24 And my understanding is, is that a lot of this has
25 been negotiated away in years previous, in sessions

1 previous. I guess what we're saying, and we don't
2 want to see it eroded any further, the main thing
3 is, is that here in Montana, we don't process a lot
4 of baloney and we don't process a lot of stuff and
5 ship it out. And it's been referred to as that
6 great sucking sound that comes down out of the
7 north and then on to the coast and then it goes
8 back up. Our producers don't benefit a whole lot
9 from that, but we sure do see a lot of those trucks
10 coming down to the south.

11 We've got a different kind of an economy
12 here, and we think that maybe we shouldn't throw
13 the gates wide open. There ought to be some kind
14 of a bridle on it because we don't benefit from
15 that, we're at the expense of maybe the
16 multinational companies who can move to either side
17 of the board.

18 And, I guess, while I'm talking, I'm
19 going to talk to you about STEs. I guess I don't
20 have -- we, in our organization, don't have a real
21 firm opinion on that because we know this, for

22 example, the Canadian Wheat Board is loved by their
23 producers in the north and is hated by their
24 producers in the south. And I believe the
25 transparency should be something that we work for

1 and strive for, but who are we going to have be
2 this big dog in the playing field? Are we going to
3 have it be an STE or are we going to have it be
4 Cargill or ConAgra or something like that?

5 So I would put my votes with maybe an
6 American or maybe a North American Wheat Board,
7 something like that, so we got a stabilization in
8 the product market.

9 MR. NELSON: Thank you. Panel, any other
10 questions or comments? Ken, thank you very much.
11 The final person on this group would be Ralph Peck,
12 the Montana Department of Agriculture. So, Ralph.

13 MR. PECK: It makes me nervous coming down
14 here and watching you up there because I know -- I
15 hope we fed you well last night because a full
16 stomach helps with contentment. And I think that's
17 what we're all talking about as we deal with trade
18 issues, the fact that we have many different
19 economies throughout the world that look at these
20 issues differently, and a lot of it is based on the
21 need for the full stomach.

22 But as we deal with that, there are some
23 issues that you'll hear about today, but I think I
24 can summarize in talking about we do have to have
25 harmonization of regulations, grading, and

1 standards. That's absolutely an issue that I know
2 you've been working on, you've got to continue to
3 work on, and we do have to have harmonization of
4 drugs and chemicals. And we hope that will
5 continue to be a top priority because the standards
6 and harmonization of drugs and chemicals are an
7 important issue to the producers. We can't have
8 drug costs at the 20 percent or more below what
9 we're paying for them and be competitive when our
10 neighbors to the north are able to have that kind
11 of competitive advantage.

12 And we need to look at and recognize
13 regional, cross-boarder, disease-free statuses.
14 The fact that we need to be able to move our
15 products easily across our boarder to the north as
16 they do across our border. And I know you've
17 worked on that. Please continue to put that as a
18 priority issue.

19 We've talked about producer subsidies in
20 countries need to be able to encourage development
21 in agriculture and safeguard rural communities. We

22 can't continue to lose our rural communities. In
23 the Uruguay Round, it was agreed that the support
24 would be allowed when it was nontrade distorting.
25 More work needs to be done in that issue, and I'm

1 glad to hear that you are going to move forward in
2 that and we continue to need that action.

3 European Union, what a phenomenal
4 challenge we have. European Union allowed
5 \$8 billion for export subsidies in the year 2000,
6 while the United States is limited to \$600 million.
7 Now, we understand, with those differentials, we're
8 dealing with a lot of countries that form the
9 European Union, we're dealing with a lot of states
10 that form the United States. So we have to
11 continue to have our strength of the United States'
12 position to continue to deal with the
13 European Union issues.

14 You'll hear from Herb Karst here in a
15 few minutes, and Herb has been working on that with
16 the National Barley Growers and as a producer for
17 years and has some interesting tails to tell. So
18 continued excessive use of export subsidies by the
19 European Union erodes the competitiveness of, of
20 course, our agriculture industry. But on top of
21 that, they say they don't care, take us to task,

22 but we're going to represent our emotionalism.

23 But it's in the press when it comes to

24 talking about hormones, how Montana beef has all of

25 this stuff that's injected, and the insides of our

1 animals are falling out in feed lots. Now, I read
2 an article that way and it was incredible that we
3 would have a press that would play that kind of
4 emotionalism and that kind of flamboyancy, that
5 would stoop to those kind of things, and then you
6 get to deal with that when you go sit at the
7 negotiation table. So be strong and continue to
8 work for the limitation of nontariff barriers.

9 Phytosanitary, sanitary issues are
10 continuing to surge forward. We formed negotiating
11 agreements, we work hard on that, and then who
12 enforces it? So we hope that the Foreign Ag
13 Service and Jim and Sharon and Susan can unite
14 forces in making sure our US Department of
15 Agriculture does have oversight and does enforce
16 and promote information, not just transfer what a
17 foreign country brings forward to us and say these
18 are the standards moving into our country. But,
19 actually, we'll look at those negotiations and say
20 we can't continue to have you violate those and
21 take a strong stance on behalf of the producers

22 because it is too costly for individual producer
23 groups to step forward with millions of dollars to
24 come out of producers' pockets when they aren't
25 making an equitable return on their investment. To

1 move those issues forward, we've got to step
2 forward and do that.
3 Biochemical issues, market access
4 issues, we can go on down the list, you'll hear
5 those issues today. We thank you very much for
6 coming to Montana. We know you are the ones that
7 are going to be involved in these negotiations and
8 it's a privilege that you are here to listen to
9 these concerns because you are going to be at the
10 table working on them. So, thank you.

11 MR. NELSON: Panel, any questions or
12 comments? Okay, well, thank you, again. We're
13 going to take about a 10-minute break. There are
14 refreshments at the door. The first two folks on
15 the next panel are Herb Karst and Bill Gertz.

16 (Whereupon, a short recess
17 in the proceedings was
18 taken.)

19 MR. NELSON: Herb Karst is the past President
20 of the National Barley Growers Association from
21 Sunburst. Bill Goertz from Dodson, who is the

- 22 President of the Montana Grain Growers Association.
- 23 Henry Ficken, who is a producer from the Kalispell
- 24 area. Rick Dorn, President of the American Sugar
- 25 Beet Growers. Sid Schutter of the National Potato

1 Board. Dean Hoff, Vice-Chairwoman Northern Plains
2 Resource Council, also representing the Dawson
3 Resource Council. Keith Bales, President of the
4 Montana Stock Growers Association. Nancy Keenan,
5 Montana Superintendent of Public Instruction.

6 And, again, anybody who wants to submit
7 testimony or information for the records but is not
8 doing a presentation is more than welcome to do
9 that if you would please give the written material
10 to Alan Hrapksky. Wave to everybody, Alan, so they
11 know you're still there.

12 With that, Herb Karst who is the Past
13 President of the National Barley Growers
14 Association.

15 MR. KARST: Thanks, Bruce, and welcome to our
16 panelists and friends from Washington. We are glad
17 to have you and be meeting with you on our turf for
18 a change.

19 If agriculture is facing a crisis in
20 international trade, then the barley industry
21 should be the poster child of that crisis. We are

22 at the mercy of the remnants of two huge dinosaurs
23 from the nationalist grain policies of a past era,
24 that is, state trading and the supply stimulating
25 subsidies of foreign governments.

1 The past ten years have seen trade
2 agreements that started world barley producers on a
3 path to market-driven agriculture. But a close
4 look at the present situation makes one realize
5 that we are stuck half way, not even half way, to
6 such a worthy goal. And we are left with few trade
7 protections while the small curbs of the
8 Uruguay Round placed on our competitors has been
9 little deterrent in their ability to over produce
10 and then to market and deliver it in a predatory
11 manner.

12 Remember, the goal of the Uruguay Round
13 was a coordinated pathway to a market-based world
14 grain supply. However, these are the facts for
15 barley: In 1994 and 1995, the European Union
16 produced about 43 million metric tons of barley.
17 Now, five years later, after the implementation of
18 the last round, the production has skyrocketed to
19 53 million metric tons of barley, an increase of 10
20 million metric tons, or more than the total US
21 production of about 8 million metric tons. And

22 nearly all this increased production is reflected
23 in higher carry over stocks and was produced at the
24 time when the EU -- or the world prices were less
25 than the EU Intervention price. Thus, this was

1 production that the market was not calling for.
2 Obviously, something has to be done to further curb
3 the government's ability to use production
4 stimulating subsidies.

5 The Uruguay Round also contained a
6 negotiated reduction in export subsidies. In fact,
7 the first five years of the agreement saw a world
8 almost free of export subsidies for barley. But
9 this only permitted the European Union to bankroll
10 those unused subsidies, and now they are using
11 excessive subsidies to get rid of the surplus
12 production of the last two marketing years. It's
13 incredible that within the last year, we saw
14 subsidies of almost \$80 per ton being used on
15 barley, which is as much of the total value that
16 that barley had in the world market. Incredible.

17 What has been the corresponding effect
18 on US production of exports these past five years?
19 Our production rose in the early years of
20 implementation due to rising prices, but it has
21 since fallen as prices have sunk below costs.

22 What's alarming is in 1999, barley plantings are
23 expected to decrease or did decrease about
24 17 percent. And yet even this drastic reduction in
25 our ability to produce is expected to have no

1 effect on barley prices. We're responding, we're
2 doing the right things, but the market effect isn't
3 there because of these other market impacts.

4 Also, as the European Union began to use
5 the increased use of export subsidies, we have been
6 almost completely shut out of world barley markets
7 that we once enjoyed; those markets in North
8 Africa, in the Middle East, and Central and South
9 America. Thus, as markets weakened, we became a
10 residual supplier in spite of our comparative
11 advantage in production or in freight costs of
12 these markets.

13 But is the EU the only reason US barley
14 production is at the brink of extinction? No, but
15 while the Uruguay Round at least tried to
16 discipline these subsidies, it left an equally
17 market distorting force virtually alone, and that
18 is state trading. While the barley acres in Canada
19 do respond to market forces as the Canadian farmer
20 does bare risk in choosing which crop he plants,
21 the Canadian Wheat Board uses its domestic powers

22 to supply acquisition to pick which markets it
23 chooses to dominate. With only its initial payment
24 to bring any discipline to its pricing decisions,
25 the Canadian Wheat Board has increased its sales

1 into the high value US malting market while
2 shorting at the same time its own feed barley lower
3 value market. A state trading enterprise can do
4 this because they can sell and guarantee quality
5 without the discipline of the marketplace, without
6 the disciplines of market risk, that is in getting
7 the supplies, or the disciplines of freight costs.
8 They can, because of monopoly, they can source that
9 barley from anywhere within the state trading area
10 to meet those market demands. Additionally, they
11 can use nontariff barriers and varietal licensing,
12 identity preservation and transportation allocation
13 to virtually eliminate import competition within
14 their own boundaries.

15 In summary, then, we must remind
16 ourselves that the US producer is left defenseless,
17 making planting decisions according to market
18 prices while being at the mercy of domestic
19 subsidies and the "cherry picking" by a state
20 trading monopoly.

21 I have attached to my testimony today

22 our "Zero for Zero" proposal that we feel is the
23 only logical end to our problems. The
24 Uruguay Round may have been the right path, but it
25 was at the wrong pace. We must make a gigantic

1 leap now for market-based agriculture or quit
2 pretending that a slow negotiating process is
3 either free or fair. Thank you.

4 MR. NELSON: Thanks, Herb. Panel?

5 MS. LAURITSEN: Yes, Herb, I would like to
6 ask a question about the "Zero for Zero" proposal.
7 Assuming that that is being proposed strictly for
8 the barley rather than for other commodities, and
9 my question is, if that is something we could reach
10 agreement on with our other trading partners early
11 on in negotiations, is that something that you
12 support -- would be supported implemented
13 immediately or would you want to wait until the end
14 of the negotiations before getting the benefits of
15 that?

16 MR. KARST: That's a bit of a difficult
17 question, I'll try to answer your first part of the
18 question first. The "Zero for Zero" proposal was
19 actually an attempt by the US barley producers and
20 the barley processors, the malt barley processors
21 from the United States and Canada to arrive at some

22 sort of blue print where we felt we wanted to be at
23 the end of the next round, the millennium round.
24 Whether or not that would apply to other
25 commodities is difficult for me to say. Obviously,

1 barley has a lot different dynamics than other
2 grains. For one thing, it is dominated by fewer
3 countries, and I wouldn't be presumptuous enough
4 to presume for the other commodities, whether or
5 not, you know, that big drastic step to complete
6 the elimination of tariffs, subsidies, and state
7 trading dominance would be the answer for them. We
8 certainly think it is for our industry.

9 Maybe I can also address Tim's earlier
10 question about state trading. We feel -- we talked
11 about transparency, but I think the only way you
12 truly arrive at disciplines in state trading is by
13 forcing state trading to be subject to competition
14 both in the importing and exporting. That's the
15 only way you get transparency. Outside of that,
16 numbers can say anything you want, and there will
17 always be the cry, "Major Grain companies don't
18 open their books, why should we have to?" Our Zero
19 for Zero" proposal suggests that we open state
20 trading competition as the best way to arrive at
21 those disciplines.

22 MR. GALVIN: I appreciate that comment. Let
23 me say, too, that I think Herb is one of the
24 leaders in agriculture today. We hear from him on
25 a regular basis on both trade and farm policies.

1 And the thing I appreciate most is that your
2 statements are always very forceful, but very
3 thoughtful, as well, in terms of really laying out
4 where we should go. We appreciate that very much.

5 One thing I find of great concern is
6 that -- and you've eluded to this -- as you look at
7 the EU production and ending stock levels, it's got
8 to be a source of great concern. For example, you
9 go back to the '94-'95 period, and they had
10 something like five-and-a-half million tons, almost
11 six million tons of ending stocks of barley. But
12 that steadily increased now in the last few years,
13 and now they're looking at something over
14 14 million tons, just huge, and I think just is
15 going to hang like a wet blanket over the
16 marketplace for the next couple of years, and I
17 think is a real indication of some of the problems
18 that we face.

19 If I could go back just a minute to the
20 Canadian Wheat Board issue. Could you describe for
21 us, say we were successful in getting the Canadians

- 22 to phase out the wheat board over the next year,
- 23 how do you think that would change the structure of
- 24 the market, both in terms of their production and
- 25 their exports to third countries as well as what

1 they might send to us or what they might import
2 from us in the way of barley?

3 MR. KARST: In the barley, we have an
4 interesting example because we see competition in
5 the feed barley, and let's look at what's happened
6 in the feed barley in the last five years. Some of
7 the basis for the hard cap edition, for instance,
8 was the fact that feed barley prices were
9 artificially low in Canada, and that they were
10 throughout the eighties and early nineties. But
11 what has happened is that competition in that
12 market, and the wheat board has done an awful job,
13 particularly '95 and '96, in marketing the barley,
14 they lost their supplies of feed barley, the wheat
15 board did, and the private industry has since
16 dominated the barley market in Canada. Such that
17 now, southern Alberta, under almost totally free
18 feed barley market, has become one of the highest
19 priced areas for feed barley in the whole
20 North America.

21 I would perceive the same thing would

- 22 happen if you saw competition in wheat and malted
- 23 barley, that you might see some period of
- 24 adjustment, but I think, ultimately, producers
- 25 would be producing and market it according to the

1 marketplace. Market rationalization would be such
2 that eventually you would see the markets having to
3 bid for the supplies that now the market knows are
4 there. And under the long position, if you will,
5 of the Canadian Wheat Board, they're incredibly
6 long in the market place. They are a motivated
7 seller from the time the first Canadian crop is
8 planted and the market knows that. Thank you.

9 MR. NELSON: Panelists, any other comments or
10 questions? Herb, thanks very much. Next presenter
11 is Bill Goertz, who is the President of the Montana
12 Grain Growers Association. And following Bill,
13 will be Henry Ficken, who is a producer from up in
14 Kalispell. So, Bill.

15 MR. GOERTZ: Thank you. My name is
16 Bill Goertz, I'm a wheat and barley producer from
17 Malta, Montana. I'm currently serving as the
18 President of the Montana Grain Grower's
19 Association, a commodity organization representing
20 3,000 wheat and barley producers in our state.
21 Thank you for giving me the opportunity to share

22 with you some of our thoughts on trade policy.

23 Trade policy, trade agreements, and

24 world trade organizations are extremely important

25 to me and the producers I represent. The majority

1 of grains I raise enter into the world markets and
2 compete with producers and governments from around
3 the world. We haven't been doing very well these
4 past few years, we're losing market share.

5 In the seventies and eighties, US wheat
6 producers captured approximately 40 percent of the
7 world wheat market, now we are fortunate if we
8 provide 30 percent of the world's wheat needs.
9 We've reduced acreage, idled valuable land and
10 resources at a time when other countries, most
11 notably, the European Union have increased their
12 production to meet the growing world demand for
13 wheat. At the same time, we are experiencing
14 record low prices and our farms are trouble.

15 While there has been many factors that
16 have contributed to our situation, we believe one
17 of the primary causes is that we have been forced
18 to compete in a marketplace that is far from fair.
19 We are forced to compete with governments that do
20 not allow their producers to respond to the
21 marketplace. While we here in the US have turned

22 the corner and are living under policy that forces
23 us to leave with the realities of supply and
24 demand, many producers around the world do not.
25 For example, wheat producers in the EU

1 have increased around 40 million metric tons in the
2 early seventies to over 100 million metric tons in
3 recent years. They have expanded their share of
4 world wheat exports from 11 to 12 percent,
5 currently to 35 to 40 percent. This has happened
6 not because producers in the EU have become more
7 efficient and are able to make a great living, but
8 rather their government is willing to pour hundreds
9 of millions of dollars into their ag economy
10 through policy that isolates their producers from
11 the market. World trade policy, the rules that we
12 all operate under, allow this to happen.

13 I'm not going to dwell on the solutions
14 of this problem. You've heard that many times
15 over, I'm sure, during these past few months in
16 previous listening sessions. The solutions and
17 goals of our negotiations this next round have been
18 stated many times over by our organizations, USDA,
19 and USDR. For example: One, export subsidies must
20 be eliminated. Two, domestic farm subsidies must
21 either not distort or limit trade. Tariffs must be

- 22 reduced farther. Tariff rate quotas should be
- 23 substantially increased or effectively eliminated.
- 24 State trading enterprises must be forced to operate
- 25 at the risk of the market. The rules governing

1 sanitary or phytosanitary measures must be
2 strengthened so that the SPS measures are not used
3 to block US imports. Despite settlements,
4 mechanisms must be shortened to address the
5 perishable nature of ag commodities. And, lastly,
6 trading, in general, must be based on fair,
7 transparent, and scientifically acceptable rules
8 and standards.

9 I do not believe there is much dispute
10 over what must be done in this round of
11 negotiations. If we could achieve all or most of
12 these goals, my neighbors and I would fair much
13 better than we do now. However, the question that
14 has to be on the minds of my neighbors and myself
15 is whether or not my country and negotiators, who
16 have my future in their hands, have the horsepower
17 to get the job done. Certainly, some progress was
18 made in the Uruguay Round, but it seems to many of
19 us that we are -- that we in the United States have
20 decided largely to lead by an example. While that
21 is generally a good policy in dealing with my

22 children, I'm not sure it can work with the high

23 stakes in world trade.

24 In lieu of the EU, they have everything

25 to lose and nothing to gain. I have two

1 suggestions. First, don't skip on resources as we
2 go to the negotiating table, play hardball, bring
3 your brightest and best negotiators to Seattle and
4 ensuing talks. Build alliances, remember we have
5 many competitors who also believe that more
6 liberalized trade can contribute to a better world.
7 Our friends in Canada, in Australia, and other
8 countries also want to get rid of exported
9 subsidies and domestic policy that unrealistically
10 encourage production. Also don't forget that we
11 can help. Consult with us, keep us up to speed on
12 what is happening. We at the national
13 organizations that represent us can be an asset to
14 you, use us.

15 Secondly, I encourage you to take
16 another look at utilizing the export enhancement
17 program to give us some leverage in these talks.
18 We need to consider using EEP programs funded, and
19 to use the extent legal under existing trade laws
20 to bring the EU to the table. It should not be
21 used against our friends, but only for those EU

22 customers that are bought and paid for by the US
23 subsidy regime. Thank you and good luck.
24 MR. NELSON: Thank you, Bill. Panel,
25 questions? Comments?

1 MR. GALVIN: Maybe just a quick comment. I
2 certainly understand your comment on the EEP
3 program. I want to get back to what I mentioned
4 earlier, and that is our level of commodity
5 donations currently as well as our near record use
6 of export subsidies. I want to assure you that we
7 continue to get plenty of flak and criticism from
8 other countries for use of those programs, as well
9 as, for the additional assistance package that was
10 approved by congress last year for US agriculture,
11 plus, all the discussions currently about another
12 package of assistance here this fall. That's
13 something that we continue to hear complaints about
14 from Europe, from Canada, from Australia, from
15 others, and that criticism doesn't bother us and
16 it doesn't deter us. But I want you to know that
17 we hear from these other countries on these issues
18 on a very regular basis.

19 MR. GOERTZ: Thank you.

20 MR. NELSON: Thanks very much, Bill. Next
21 presenters will be Henry Ficken, a Montana producer

22 from up at Kalispell. And Rick Dorn, President of
23 the American Sugar Beet Growers. While they're
24 coming up, I'm maybe not supposed to express
25 opinions in this or anything in this, but I was

1 struck by, as a barley grower from north central
2 Montana, Herb Karst's comment about 14 million
3 metric tons of carry over in the European Union. I
4 tried to figure out just a minute ago how many
5 bushels that was, I got an error message on my
6 little calculator because it's too big of a number
7 for my little calculator to handle. That's scary.
8 Anyway, with that, Mr. Ficken.

9 MR. FICKEN: Mr. Moderator, Panel, and
10 especially you from the USDA. I'm Henry Ficken,
11 my wife, two sons, John and Mark, and I operate a
12 family farm near Kalispell, Montana. Our main
13 crops are peppermint, spearmint, dill oil for the
14 pickle industry, wheat barley, alfalfa hay, and
15 lentils. Many Montana farmers are trying new
16 crops, many of these specialty crops don't succeed
17 for various reasons. Farmers need proper price for
18 what they know they can produce.

19 It is no secret that much of agriculture
20 in these United States is in serious financial
21 trouble. Montana is no exception. The honorable

22 Senator Max Baucus in his January 21, 1999
23 newsletter, stated that agriculture is Montana's
24 leading industry. He also stated that 20 percent
25 of our state's employment is in agriculture. Is it

1 any wonder, then, that when agriculture prices are
2 so tragically low nationwide and in Montana that
3 the per capita income in Montana is approaching
4 50th in the nation?

5 It is distressful to my farmer/rancher
6 neighbors, friends outside of agriculture, and to
7 me that President Clinton continually expresses
8 publicly how good the national economy is while
9 agriculture prices across the board are at disaster
10 levels. Farmer moral has never been lower in my
11 community.

12 International trade is vital to the
13 United States and to Montana. I was one of two
14 from Montana to be privileged to attend the
15 International Federation of Agriculture Producers
16 in Regina, Saskatchewan Canada June 21st and 22nd,
17 1999. Many of the foreign speakers spoke about the
18 very bad agricultural situation in their countries.
19 It was made very clear by many speakers who were
20 representing their foreign countries that
21 international trade is vitally necessary for the

22 economic well-being of their countries. They
23 stressed the need to have what they call a level
24 playing field so as to be able to market some of
25 their production.

1 These small developing country
2 representatives were complaining about some of the
3 unscrupulous tactics having been used by larger,
4 stronger nations and multinational companies.
5 Somehow, the farmer, worldwide, always suffers the
6 consequences. They emphasized the importance of
7 the family farmer and the need to protect that
8 institution.

9 The above inequities affect the American
10 farmer, rancher, and timber industry as well. The
11 term "safety net" was used many times. There was a
12 general consensus that a safety net should be
13 provided by each nation to stabilize its farmers'
14 income in times of low income or distress and
15 thereby maintain a strong economy. I have
16 supported the safety net concept for farmers for
17 many years, it should be at a meaningful level.
18 Very few businesses, if any, do not have some kind
19 of support or safety net guaranteed by government,
20 corporate policy, or otherwise. American farmers
21 no longer can be expected to pay operating expenses

22 at United States price levels and sell commodities

23 at Third World prices.

24 Also a major concern was that any

25 stabilization program developed by any nation

1 should not create or cause the promotion of any
2 commodity which would again create overproduction.
3 I think this is important for you to think about
4 that. It is not my purpose to report the
5 proceedings of the Regina conference. In my
6 opinion, key issues were discussed and will be
7 discussed further in November in Seattle this year.
8 Our American negotiators must be knowledgeable and
9 able to negotiate what is best for American
10 producers. That's been said several times now.

11 The current farm program of 1996 is
12 badly flawed and should be replaced immediately.
13 It has robbed profits from the agriculture sector.
14 It has created a windfall of profits to the
15 middleman at the expense of producers and
16 consumers. If farmers were paid a fair price for
17 their commodities, none of these support programs
18 would be necessary.

19 In conclusion, let me state that it is
20 necessary to get spendable dollars into the hands
21 of family farmers immediately. A few short years

22 ago the government bailed out the banking industry
23 with government dollars. A logical choice to help
24 family farmers today without creating
25 overproduction would be to allocate tax-free

1 dollars earmarked to pay the indebtedness of the
2 family farmers. I'm talking about responsible,
3 good farmers, I don't mean this as a general
4 handout.

5 There are many ways to get our family
6 farmers back on a level playing field, fair price
7 for commodities produced is the key. World trade
8 that benefits all trading partners, trade that will
9 compensate producers fairly, whether in America,
10 Africa, Europe, or Australia, for their labors and
11 provide affordable products to the consumer is the
12 key to a better community and world harmony.

13 Thank you for coming to Montana to hear
14 the testimonies of those concerned about the
15 producers of the world's best foods.

16 I would also just like to make a comment
17 regarding Mr. Galvin's comment a while back about
18 giving these countries that are in trouble aid.
19 One of the representatives from the country, I'm
20 not sure which country, was complaining about the
21 fact that sometimes countries give a country in

22 distress aid and the other country is taking issue
23 with that because they wanted to sell them what the
24 other country needed. Would you care to comment on
25 that?

1 MR. GALVIN: Yes, I would. I appreciate the
2 comment. What we try to do with our aid programs,
3 we try to avoid just dumping our surplus
4 commodities in particular countries. What we do
5 is, we go into each country on an individual basis
6 and we try to assess what their current needs are
7 and then we take that into account. We also try to
8 assess what their commercial demand, say, for wheat
9 is going to be, and then we decide how much we're
10 going to donate. And we donate it in a way that
11 hopefully doesn't displace any of that commercial
12 demand that otherwise is going to occur. And,
13 also, we try to divide the aid in such a way that
14 it doesn't knock the underpinnings out from their
15 own farmers in that country as well. So we really
16 try to assess their legitimate food needs and then
17 we provide a commodity donation on that basis.

18 Another thing that we often do is we
19 allow those who receive the grain in those
20 countries to turn around and what we call monetize
21 those commodities. That is, they sell those

22 commodities for whatever the local currency is and
23 then the proceeds from that local sale are used to
24 help the local economy; whether it's maybe to help
25 them set up an extension service or it might be a

1 coop bank for the local farmers or maybe even
2 something like a health clinic or something along
3 those lines. But we often allow the donated
4 commodity to be sold for the local currency with
5 the proceeds used for the benefit of the recipient
6 country. Thank you.

7 MR. NELSON: Panelists, any other questions
8 or comments? Henry, thank you very much. Next is
9 Rick Dorn, President of the American Sugar Beet
10 Growers. And then after that, Sid Schutter from
11 the National Potato Board. And I want to apologize
12 if I'm mispronouncing that last name. Rick, go
13 ahead.

14 MR. DORN: Thank you and good morning. I am
15 Rick Dorn, a sugar beet grower from Hardin,
16 Montana. As President of the American Sugar Beet
17 Growers Association, I am representing over 11,000
18 farm families who raise 1.5 million acres of sugar
19 beets in 12 states.

20 My board of directors summer meeting was
21 held just last week, and I do not believe that

22 there are adequate words to describe the many
23 reports of how frustrated, depressed, and angry our
24 farmers are in all of the growing areas. This is a
25 result of a combination of inadequate domestic farm

1 policy and the failure of our current trade policy
2 to either address or respond to the current
3 problems in the global marketplace. The
4 uncertainty of farm and trade policy is having a
5 devastating impact on two essential components of
6 American agriculture and our rural economies.

7 First, the extended period of low
8 commodity prices and uncertainty about the future
9 are causing agricultural lenders to make it far
10 more difficult to obtain adequate financing.

11 Second, many farmers are leaving the
12 farm in order to protect whatever equity they have
13 left. They simply cannot take on additional debt
14 and manage the risk. In many cases, young farmers
15 today are not being encouraged by their families to
16 take over the family farm. This nation is quickly
17 and silently losing its next generation of farmers.

18 Farming is more than a business, it is an art, it
19 is a science, and it is a craft that is passed on
20 from one generation to the next. Our nation and
21 its policy makers, specifically in the urban and

22 suburban areas, had better wake up to the fact that
23 by losing our young farmers, we are losing one of
24 our most precious future resources.
25 You know that we are efficient

1 producers, provide substantial access to our sugar
2 market, are essential suppliers to the most
3 sophisticated food system in the world that prices
4 32 percent below what the average consumer pays in
5 other developed countries. And our nation's sugar
6 and corn sweetener industries generate more than
7 \$26.2 billion in economic activity and create
8 420,000 jobs in 42 states. We have no risk
9 management tools in the marketplace. Accumulative
10 policies of our global competitors continue to
11 create world dumped markets which no one can
12 compete in. We must have an adequate price safety
13 net for our farmers and trade policy that responds
14 to those unfair trade practices because a healthy
15 American sweetener industry means a healthy food
16 manufacturing system. It's just that simple.

17 Here are our recommendations for the
18 next round of negotiations to assure we get
19 agreements we can live with.

20 Market access: Other countries must
21 reduce tariffs to US levels and provide comparable

- 22 access to their sugar markets before our access
- 23 commitment is increased or our tariffs reduced.
- 24 For our industry to support future agricultural
- 25 negotiations under WTO, a traditional request/offer

1 negotiating approach should be used. Experience
2 has shown us that using a "formula" or "one size
3 fits all" approach in trade negotiation is not
4 acceptable.

5 Export subsidies: The most important
6 issues to address are the elimination of direct and
7 indirect export subsidies and state trading
8 monopolies. Eliminating export subsidies and
9 dumping practices should increase world prices and
10 reduce the need to maintain high tariffs as a
11 response to these predatory trade practices.

12 Internal supports: Our industry cannot
13 survive a lower safety net. Our internal support
14 commitments must remain aggregated and other
15 countries must reduce their supports to the US
16 levels to catch up the sacrifices our farmers have
17 already made.

18 Countries must be in compliance with
19 their Uruguay Round commitments.

20 Incentives must be offered to raise the
21 level of labor and environmental standards in

22 developing countries.
23 You must resolve the European non-tariff
24 trade barriers to genetically enhance commodities
25 and their by-products, like our sugar beet pulp,

1 that are proven to be safe to consumers, livestock,
2 and environment.

3 We would support an effort by USDA and
4 USDR in your request to congress for additional
5 staffing to assure that you have adequate personnel
6 resources as you face negotiations in the next
7 round of trade talks.

8 We welcome the opportunity to compete
9 farmer to farmer. We cannot, however, compete
10 against the treasuries of foreign governments or
11 poorly negotiated trade agreements. We need good
12 trade agreements so that all commodities that are
13 produced efficiently in the US, like sugar, are
14 allowed to compete fairly in legitimate world
15 markets.

16 I thank you for the opportunity to
17 express these concerns today and would be happy to
18 answer any questions.

19 MR. NELSON: Thanks, Rick. Panel? Okay,
20 Rick, thank you very much. Next is Sid Schutter
21 from the National Potato Board. And Sid will be

22 followed by Dena Hoff, who is the Vice-Chairwoman
23 of the Northern Plains Resource Council, and is
24 also representing the Dawson Resource Council.
25 Sid, go ahead.

1 MR. SCHUTTER: I am Sid Schutter, a potato
2 grower from Montana. I'm here today on behalf of
3 the National Potato Council for which I am
4 currently Vice President of the Grower/Public
5 Relations Committee.

6 The NPC represents the potato growers in
7 all 50 US states. Our growers' production has a
8 farm gate value level of over \$2.4 billion. Our
9 potatoes are sold domestically and in export
10 markets in both fresh and processed forms. Total
11 export value for both the fresh and processed
12 potatoes is over \$700 million.

13 I am pleased to have the opportunity to
14 discuss with the panel the US potato industry's
15 concerns and the goals for the upcoming WTO
16 negotiations in agriculture. Our US potato growers
17 ask that, as our key negotiators on agriculture,
18 you incorporate these into the US Government's
19 objectives for the negotiations.

20 What our industry seeks most from the
21 upcoming agriculture negotiations are two things:

22 First, we want more liberalized and
23 predictable access to foreign markets for our fresh
24 and processed potato exports. This means reduced
25 tariffs and the removal of scientifically

1 unjustified sanitary and phytosanitary
2 restrictions.

3 Second, we want assurances that
4 trade-distorting subsidies in the potato sector
5 will be disciplined and reduced and eliminated.
6 Subsidies in Canada have been a long-standing issue
7 for our industry and one we have yet to receive
8 relief from.

9 Because of our industry's experience
10 with Uruguay Round, NAFTA, and the US-Canada Free
11 Trade Agreement, the US potato growers are
12 skeptical that the upcoming negotiations can
13 achieve these benefits for our industry. Despite
14 the liberalization goals of the prior agreements,
15 US potato exports still face high tariffs in many
16 export markets, unjustified sanitary and
17 phytosanitary restrictions, and increased
18 competition from a growing Canadian industry that
19 seeks benefits that still benefit from direct and
20 indirect government aid.

21 To correct the shortcomings of the prior

22 trade agreements, we urge four specific
23 improvements to the Uruguay Round agreement and one
24 new area we propose to be covered in the upcoming
25 negotiations.

1 The first area where we seek improvement
2 is tariff reductions. The NPC has supported the
3 Early Voluntary Sectorial Liberalization Initiative
4 for foods, including french fries, endorsed by the
5 Asia-Pacific Economic Cooperation economies. Now
6 that this initiative has been moved to the WTO, we
7 urge the US Government to push the WTO to support
8 for eliminations of tariffs on processed -- tariffs
9 on fresh and processed potatoes, or at a minimum, a
10 substantial reduction of these tariffs by all WTO
11 member countries. In the Uruguay Round, many of
12 the Asia-Pacific countries, which are some of the
13 US industry's best export markets, are considered
14 development countries and hence we are required to
15 only make minimal tariff reductions from extremely
16 high base rates. Thus, while US tariffs on potato
17 products are reduced to minimal levels, many of our
18 export markets were not required to make similar
19 reductions. We need assurances that this inequity
20 will be corrected in this round and that all the
21 WTO countries will be required to substantially

22 reduce their tariff rates on potato crops.

23 The second area in which we urge a more

24 aggressive approach is domestic subsidies. Here US

25 potato growers urge US negotiators to seek

1 sector-specific reductions. The Uruguay Round did
2 nothing to reduce the level of domestic subsidies
3 benefiting the Canadian potato sector. This was
4 because reduction commitments were made to an
5 Aggregate Measure of Support across the broad group
6 of products, rather than requiring reductions to be
7 made to aid levels specific to the potato sector.

8 In the post Uruguay Round/NAFTA period,
9 Canada subsidies continued to be a problem for our
10 industry. US imports of both fresh and processed
11 potatoes from Canada have increased, and at times,
12 significantly. Our US trade representative
13 Charlene Barshefsky has identified "Canadian
14 federal and provincial assistance measures on
15 potatoes" to be one of several priority issues for
16 formal consultations with Canada. We hope the new
17 round will finally address these subsidies and
18 eliminate the advantages they present for our
19 Canadian competitors. If not, our growers will
20 continue to lose US market share to Canadian
21 industry that is competitive, not because of its

22 innate competitiveness, but because of its benefits
23 from governmental aid and currency advantage.
24 The third improvement we are seeking is
25 in the area of sanitary and phytosanitary

1 restrictions. This is an area where many WTO
2 member countries have been slow or resistant all
3 together to removing SPS restrictions on potatoes
4 that have no scientific basis. The upcoming round
5 should be used to strengthen the disciplines
6 already embodied in the Uruguay Round SPS
7 Agreement, strengthen the commitment to science,
8 adopt reasonable time frames for countries to abide
9 by these principles.

10 The fourth change is to strengthen the
11 dispute settlement rules so that countries fully
12 comply with Appellate Body rulings. The recent
13 actions by the European Union to avoid compliance
14 in both the bananas and beef hormones cases raised
15 concerns about whether the system is indeed
16 "foolproof" and the whether countries will feel
17 compelled to comply with the WTO rules.

18 Finally, a new area that deserves
19 recognition in the WTO is biotechnology. From
20 research we are already doing, we know that new
21 food technologies will diversify, develop, and

22 further expand uses of potatoes and the product's
23 nutritional value. We therefore support the
24 development of science-based principles in the WTO
25 to discipline and monitor the safe use of

1 biotechnology in the food supply.

2 In conclusion, the US potato growers
3 urge the US Government to adopt these objectives
4 for the new round. These are changes we believe
5 are necessary to put potato producers on equal
6 footing with other world producers. We also
7 believe that if the new round is to provide any
8 benefit to US agriculture growers and processors,
9 it must be completed within a reasonable period of
10 time. We support the Administration's call for the
11 conclusion of the negotiations within a three-year
12 period.

13 This concludes my remarks. I would be
14 pleased to answer any questions.

15 MR. NELSON: Thank you, Sid. Panel?

16 MR. GALVIN: I have a couple of questions.
17 Thank you for your testimony. Can you tell me if
18 the Canadians are using any biotech varieties?

19 MR. SCHUTTER: Yes, they are.

20 MR. GALVIN: So we're in the same position
21 with them in that regard; right?

22 MR. SCHUTTER: Yes, we are.

23 MR. GALVIN: Can you describe perhaps in a

24 little bit more detail the nature of the subsidies

25 the Canadians are providing to their potato

1 producers?

2 MR. SCHUTTER: One that comes to mind is the
3 providence of Alberta has issued a \$35 million fund
4 for waste water treatment, specifically for potato
5 processing plants. Some of that is being used at a
6 new plant that was put in this past year in
7 Taber, Alberta. There's also the providence of
8 Manitoba has given growers this spring a monetary
9 amount to help them get their potatoes planted due
10 to the adverse weather, so they hired commercial
11 planting crews to come in.

12 MR. NELSON: Panelists, any other questions
13 or comments?

14 MR. GARROS: Your final point was on biotech.
15 I wonder if you could elaborate a little bit on
16 what form you have in mind in terms of bringing
17 biotech into the next round? Are you thinking a
18 separate agreement? Where do you see it fitting
19 into the overall scheme of the talks?

20 MR. SCHUTTER: Well, certainly anything with
21 biotech has to be safe for human consumption,

22 without a doubt. What we're asking for is sound
23 science, not to be used as a trade negotiation or
24 to enhance one country's overabundance of potatoes
25 so they don't just say, "Okay, we're not going to

1 allow these spuds to come in because they're
2 biotech."

3 Potatoes are a little bit unique in that
4 because we're eating the raw product, whereas corn
5 and soybean, we're using a processed product.
6 Right now, Europe is not accepting potatoes that
7 have the BT gene in it, even though they're using
8 oils to fry their french fries that have it in
9 there.

10 MS. LAURITSEN: Have they rejected the
11 potatoes or have they not approved it?

12 MR. SCHUTTER: They're not accepting anything
13 from process companies that have it in them.
14 There's strong resistance there.

15 MR. NELSON: Anything else from the
16 panelists? Sid, thank you very much. Next is
17 Dena Hoff, Vice-Chair of the Northern Plains
18 Resource Council, and also representing the Dawson
19 Resource Council. Following Dena will be
20 Keith Bales, who is President of the Montana
21 Stockgrowers Association.

22 And another announcement, I keep getting
23 handed notes up here, for the media representatives
24 that are here, they're apparently going to do some
25 work on the roof during the noon hour and so the

1 meeting with the panelists has been moved to room
2 276. Marlene Phillips, again, woman over on that
3 side in the black and white will help you get down
4 to that meeting and get together with whoever you
5 want to visit with during the noon hour. So with
6 that, Dena.

7 MS. HOFF: Good morning, I'm Dena Hoff, and I
8 farm near Glendive, Montana. I am the Dawson
9 Resource Council Chair and the Vice-Chairwoman of
10 the Northern Plains Resource Council.

11 And I want to thank the US Trade
12 Representative and Secretary Glickman for giving us
13 this opportunity to comment on the upcoming World
14 Trade negotiations in Seattle. Such an opportunity
15 is long overdue, and we strongly urge both the
16 Clinton Administration and congress to make sure
17 that this is the beginning of broader public debate
18 over trade agreements and not the end. We believe
19 that the extraordinary efforts being made by some
20 promoters of global trade agreements to circumvent
21 public scrutiny of those agreements, whether it's

- 22 imposing undemocratic "fast track" rules for
- 23 congressional debate and approval of these
- 24 agreements with no opportunity for public review or
- 25 meeting behind closed doors, putting riders on

1 legislation without public review has eroded the
2 public's trust and confidence in the entire
3 process. And the stakes in this debate are
4 obviously very high, and therefore demand more
5 public participation, not less, if we're going to
6 create a global trading system that is open,
7 public, and above all, one that preserves the
8 democratic values upon which this country was
9 founded.

10 In a recent public address at Concordia
11 College in Moorhead, Minnesota, Cargill Chairman,
12 Whitney MacMillan, said that the American farm
13 economy will not improve until commodity prices go
14 down making US commodities more competitive in the
15 world market. This view is unacceptable to
16 independent producers like myself who are already
17 selling our crops and livestock below the cost of
18 production and facing the loss of our livelihoods,
19 our lands, and the loss of the next generation of
20 young farmers.

21 Local government leaders in Rural

22 America know that higher farm income would
23 revitalize communities struggling with crumbling
24 infrastructures, population loss, reduction of
25 basic services, school closures, and the myriad of

1 social problems that accompany a depressed economy.

2 When the US itself consumes 70 percent of its US
3 agricultural production, it makes no sense for the
4 US Trade Representative and the USDA to tie farm
5 income to exports.

6 If exports were the magic bullet, then
7 Mexico, whose exports have dramatically increased
8 since NAFTA, and I've heard up to 300 percent,
9 would not be a welfare state dependant on foreign
10 capital and foreign aid.

11 The USDA statistics themselves show that
12 agribusinesses are reaping record profits, while
13 family producers, workers, and the environment are
14 bearing the burden of this corporate windfall.

15 Recently, I heard a US trade
16 representative in Geneva tell an audience of
17 delegates from nongovernmental organizations two
18 disturbing things. The first was that US farmers
19 no longer incumbered by farm policy are free to
20 plant for the market. But lack of competition
21 among buyers and exporters make selling into the

22 current market a losing proposition for American
23 producers. More than ever, we are price takers and
24 not price makers for the fruits of our labor.
25 The second objectional statement by this

1 trade representative was that food security should
2 not rely on food self-sufficiency, but on access to
3 cheap food on the global market. Real food
4 security can only happen through food sufficiency
5 locally, regionally, and nationally. And food
6 self-sufficiency can be best insured by
7 decentralized land ownership by independent
8 producers who are afforded the opportunity to
9 produce food in an ecologically sound and
10 culturally appropriate manner.

11 At this meeting in Geneva, I was
12 frequently approached by delegates from Asia,
13 Africa, and Latin America wanting to know how US
14 producers could be prospering, as they are told my
15 their officials, when their own farmers are being
16 robbed by their livelihood by export dumping. And
17 these delegates were surprised to hear that family
18 agriculture in the US is in crisis.

19 The United States, which once
20 represented freedom and fairness to the world, is
21 now seen, especially by developing countries, as a

22 global bully willing to destroy family agriculture
23 at home and overseas for the express benefit of
24 giant transnational corporations.
25 Northern Plains has developed seven

1 principles that we believe would represent
2 important steps toward making international trade
3 fairer for family farmers and ranchers, for rural
4 communities, and for workers; and make our food
5 supply safer and healthier for consumers; and that
6 would keep the environment cleaner and you will
7 hear those this afternoon from Jerry Sikorski, the
8 Chairman of Northern Plains.

9 Rural and urban communities of
10 North America have now experienced firsthand the
11 failure of NAFTA, GATT, and WTO to deliver on the
12 rosy promises which were made to convince congress
13 to pass these pacts in an undemocratic manner with
14 no meaningful public debate. If free trade is to
15 mean more than the exploitation of farmers,
16 workers, and the environment, and more than the
17 exclusion of civil society from the debate, you
18 must do more than listen.

19 You must renegotiate trade agreements to
20 reverse the loss of our unique, decentralized
21 family farm system of agriculture. You must

22 abandon the myth of exports at any cost, and
23 protect family farmers against the whims and
24 volatility of the global agricultural markets which
25 are anything but free. You must ensure that

1 anti-trust laws are respected and enforced within
2 the context of the new trade agreements. You must
3 implement all the recommendations from your own
4 small farms commission report, including immediate
5 implementation of the Northern Plains Resource
6 Council/Western Organization and Resource Council
7 rule to require packers to bid openly and
8 competitively for captive cattle supplies.

9 And finally, you must abandon this
10 Administration's obsession with trying to
11 circumvent an open public debate on trade
12 agreements by relentlessly pursuing fast track
13 authority. You must hold more open public hearings
14 to give Americans the opportunity they are entitled
15 to have. Thank you.

16 MR. NELSON: Thank you, Dena. Panel, any
17 questions or comments?

18 MR. SCHROEDER: We appreciate your comments,
19 and I wish I had more time to engage in some
20 dialogue and comments. Just one point, and that is
21 I know of no trade agreement that has not been

22 debated and adopted by the United States Congress,

23 so that's a fairly open procedure.

24 MS. HOFF: It isn't open in the fact that

25 most people are quite ignorant of the trade

1 agreements and what it means to them on a producer
2 level.

3 MR. SCHROEDER: I suppose many of our laws
4 are that way, but we look to our elected
5 representatives to debate those and then to either
6 vote up or down. Our trade agreements are not
7 unlike all our laws.

8 MR. NELSON: Panel, any other comments or
9 questions for Dena? All right, Dena, thank you
10 very much. Next is Keith Bales, who is the
11 President of the Montana Stockgrowers Association.
12 And Keith will be followed by John Swanz, also
13 representing Montana Stockgrowers Association.

14 MR. BALES: Thank you very much. I'd like to
15 thank the panel for this opportunity to
16 address -- for giving the Montana Stockgrowers the
17 opportunity to address the issues regarding the
18 1999 WTO round in Seattle this fall.

19 I am Keith Bales, I'm a rancher from
20 Otter, Montana, President of the Montana
21 Stockgrowers Association. Formed in 1884, MSGA

22 represents the oldest livestock association in
23 Montana whose policy is developed by its members
24 through a committee structure and a board of
25 directors. My testimony today represents the

1 official position of more than 3,400 members of
2 MSGA on trade issues. I also have some of my own
3 thoughts. In addition, I have been asked to speak
4 on behalf of the Wyoming Stockgrowers Association
5 by its current president Rob Henry, and their 1,200
6 cattle producers.

7 The Montana Stockgrowers Association
8 recognizes the need for trade. It is critical to
9 the survival of our economy as the US represents
10 only 4 percent of the world's population and yet
11 produces approximately 25 percent of the food of
12 the world. However, we also feel strongly that
13 trade must be fair to all concerned. We feel
14 imports do increase supply and have had an adverse
15 effect on the profitability of Montana and Wyoming
16 cow/calf and feeder operations. In many cases,
17 these increased imports have violated the spirit,
18 rules, regulations, and safeguards set up by the US
19 Congress relative to live cattle and beef imports.

20 There is significant concern that NAFTA
21 and GATT have resulted in an unfair trade

22 environment for US cattle producers. Total
23 accountability of beef and cattle trade activities
24 is needed to determine the real impact of all beef
25 and live cattle imports on US markets. Our members

1 have requested that on several occasions that
2 congress require a review of the effects of NAFTA
3 on livestock industry and address those negative
4 impacts.

5 With depressed cattle prices and
6 increased imports in 1996, our members asked for
7 aggressive action to implement a beef and live
8 cattle import quotas and import tariffs to reduce
9 beef and live cattle imports to levels that do not
10 exceed 3 to 4 percent of the combined beef and live
11 cattle trade differential. This concern has also
12 caused MSGA, in 1998, to withhold support for fast
13 track legislation until current inequities are
14 addressed and we receive some assurances that a
15 positive impact on cattle producers become a
16 priority in any future trade negotiations.

17 Our frustration has also led to MSGA's
18 member support of the current petitions filed
19 against Canada and Mexico with regard to
20 antidumping. In past WTO negotiation, it appears
21 that US has taken the lead on free trade and set

22 the free trade example by making the US market more
23 accessible to most beef cattle and beef products
24 from other countries. However, the US has failed
25 to demand reciprocity through equal and open access

1 to many of our trading partners' markets. A good
2 example of this is the movement of live cattle from
3 Canada into the US versus the movement of live
4 cattle from the US into Canada. This led to the
5 development of the Northwest Pilot Project
6 approximately five years ago. The problems we have
7 had with that will be detailed next by John Swanz
8 in his testimony.

9 Another example is the current
10 European Union ban on US hormone-fed beef. It
11 appears the European Union would rather pay large
12 countervailing duties and protect their ag producers
13 than provide access for US beef in the
14 European Union. MSGA strongly urges the US to
15 demand more reciprocity in future trade
16 negotiations. They should demand harmonization on
17 regulations and demand access to foreign markets in
18 return for access to US markets. US producers
19 don't object to being asked to compete with other
20 producers on a level playing field, but we feel
21 helpless competing against other governments when

22 the net result is a reduction in our standard of

23 living.

24 While we recognize we are in a global

25 marketplace for commodities, the only thing we have

1 in common with producers in other countries is the
2 commodity itself. The financial terms are
3 different. Environmental regulations are
4 different. The insecticide, pesticide, and animal
5 health regulations are different. Food safety laws
6 are different. The economies are different, and
7 the societies are different. We find ourselves
8 trading our market or marketing our commodity like
9 beef with everyone operating from a different set
10 of regulatory, economic, and social environments.
11 The result is US producers see their standard of
12 living decreased because the world commodity
13 pricing system and foreign economies have worked
14 largely to our disadvantage and has reduced our
15 producers' standard of living similar to other
16 poorer agriculture countries.

17 While congress is phasing out
18 agriculture subsidies in the US through the Freedom
19 to Farm Act, US producers become more dependent on
20 ag exports for new markets. But at the same time,
21 market access is denied by other countries putting

22 US producers at a huge disadvantage. Just look at
23 the commodity prices in general over the last
24 several years and what has happened to the US
25 agriculture. These issues must be addressed. US

1 producers produce the most abundant, safest,
2 highest quality, and predictable food supply of any
3 country in the world. We have created the
4 agricultural wonder of the world. But we have also
5 made it a sacrificial land to free trade.

6 Future WTO discussions must correct this
7 terrible inequity to lower the massive restructure
8 of American agriculture as we know it today. We
9 must have equal access if we are to save the family
10 farm. Thank you for this opportunity to address
11 the panel. I would be happy to answer questions.

12 MR. NELSON: Panel, questions or comments?

13 MS. LAURITSEN: Yeah. Keith, I have a
14 question, and John and anybody else might be
15 interested in you referenced different sets of
16 regulatory economic and social environments. The
17 European Union has a mandate for the upcoming
18 negotiations to negotiate on animal welfare rules.
19 And, I guess, I would like to get your reaction to
20 that.

21 MR. BALES: I guess my thought is too often

22 times in the past many of these things have been
23 negotiated on welfare or health standards and so
24 on, and the US seems to be the only one that
25 complies with those standards. And so too often

1 times, those things are used to put US producers at
2 an extreme disadvantage. I think that any rules or
3 any negotiations, as far as animal welfare, needs
4 to be based on sound science and fact. I,
5 personally, do not believe that animals have the
6 same rights as individuals. But I do believe in
7 taking care of our animals, and I think all US
8 producers do a good job of taking care of their
9 animals and treating them properly.

10 But I do have the extreme fear that in
11 these negotiations, that if rules are brought up,
12 they will be used to inhibit us and yet not other
13 nations of the world.

14 MR. SCHROEDER: Keith, I enjoyed your
15 comments. Reciprocity, I've often thought that is
16 a basic point of fairness, and it makes sense in
17 our trade relationships to demand reciprocity. I
18 guess the problem with that is, when you look
19 around the world, you've got a lot of countries
20 that don't match up very well.

21 Our Canadian neighbors, for example, I

22 think the population up there is only 20 million?

23 MR. BALES: About a tenth of the US, I

24 believe.

25 MR. SCHROEDER: So we have differences of

1 population. The Mexicans grow a lot of tomatoes,
2 we grow a lot of tomatoes. We can say, "Well, you
3 can't sell your tomatoes to us unless you buy our
4 tomatoes." You can think of it as, why are we
5 trading tomatoes back and forth when we each grow a
6 lot of tomatoes ourselves? The reciprocity sounds
7 good, but then you begin to look at how markets
8 match up and populations, there's a lot of
9 diversity out there.

10 What we're trying to do is get all
11 tariffs to come down, get all markets, basically,
12 more open. And the reciprocity, I like it, but
13 when you start to try and match it up, sometimes it
14 doesn't work very well.

15 MR. BALES: I would agree with that, but by
16 the same token, Canada does have a large
17 agriculture base and a very small population. But
18 when you compare that with Asian countries that
19 have large populations and not an extreme amount of
20 agriculture, we are put at an extreme disadvantage
21 because all of those nations have extreme tariffs

22 on our products going in. And in order to make
23 free trade work, we have to have those barriers
24 broke down the same as our barriers are broken
25 down, and that is a lot of the problem today. And

1 I think that that is a lot of the frustration of
2 the livestock industry out there is that we feel we
3 have lowered our barriers and we have allowed
4 product to come in and yet we have not negotiated
5 strong enough to make sure that that has happened
6 with other countries, that they have had to lower
7 their barriers to allow our product into them.

8 There is also another thing, and we feel
9 very strongly in this as producers of beef in this
10 nation, that we have the safest product in the
11 world. And we have some concerns that insecticides
12 and animal pharmaceuticals are used in other
13 countries that are not allowed to be used in this
14 country, therefore, it puts us at a disadvantage.
15 And if they're not healthy for us to use them on
16 our animals for our consumers, then they should not
17 be allowed in other parts of the world either.

18 MR. GALVIN: If I could, I do accept your
19 point that we could always do things better and
20 there's room for improvement. But the bottom line
21 question, I guess, is, are we better off with trade

22 or without it? And I think if you look at the
23 gains we've made in Mexico with red meat exports,
24 for example, where last year we shipped them a
25 record, and we're at a record or near a record in

1 terms of our total red meat exports overseas on a
2 dollar basis. It actually hit a record in '96,
3 when we hit about \$4.3 billion in red meat sales.
4 That's declined a bit now to about \$4 billion, but
5 that's mostly due to lower values, our volume
6 continues to be very strong.

7 So the question is, has trade over the
8 last five or six years been a net benefit to the
9 livestock industry or has it been unbalanced and
10 harmful? And that's the real question I think
11 we've got to examine.

12 MR. BALES: I would agree that trade can be
13 very beneficial for the livestock industry.
14 However, as I eluded earlier, it seems that even
15 though you say our trade has increased, that's
16 true, but the financial viability of the producers
17 in Montana and the rest of the producers in the
18 United States is far worse today than what it was
19 five years ago. If we had had other markets opened
20 up so that we could have exported more, we might
21 not be in that shape. And, yet, at the same time,

22 we have had lots of product coming in, too. We are
23 importing more product than we are actually
24 exporting, the dollar values are different, but as
25 far as product, we are importing more than we're

1 exporting.

2 MR. GALVIN: I think, no question, the
3 condition of the industry is worse today than it
4 was five years ago, no question about that. Again,
5 would it have been worse off or better off if we
6 would not have had two-way trade over the last five
7 years? I think of pork exports, for example, up 20
8 percent last year, even though we had live hogs
9 selling for \$25 a head in December. But I think
10 the question is, how much worse would we have been
11 off had we not been exporting those record amounts?
12 But I understand, too, that, clearly, imports are
13 up as well, and that's especially true in the case
14 of Canada on both live animals as well as meat. No
15 question.

16 MR. NELSON: Thank you, Keith. Appreciate
17 it. John Swanz from the Montana Stockgrowers
18 Association. Followed by Nancy Keenan, Montana
19 Superintendent of Public Instruction. John.

20 MR. SWANZ: I want to thank you for the
21 opportunity to speak on behalf of the Montana

22 Stockgrowers Association regarding issues to be
23 addressed at the 1999 round of negotiations on
24 agriculture scheduled for the November World Trade
25 Organization meeting.

1 I am John Swanz, a livestock producer
2 from the Judith Gap, Montana area, and have served
3 on the Board of Directors for the Montana
4 Stockgrowers Association. For over 100 years,
5 Montana Stockgrowers have worked to represent a
6 fair and profitable economic environment for
7 livestock producers in Montana. In addition, I
8 have served on the International Marketing
9 Committee for the National Cattle and Beef
10 Association, and have been very involved in the
11 trade discussions at both the state and national
12 level. I have served and participated in
13 across-the-border trade talks between US and
14 Canada. And as MSGA's President, Keith Bales,
15 mentioned earlier, I would like to explain why it's
16 important that trade negotiations include
17 reciprocity and harmonization of regulations on
18 trade between two countries that are dependant on
19 equal access for both producers and both countries.

20 In late 1994 and early 1995,
21 Dr. Dick Rath, Chairman of the Montana Stockgrowers

- 22 Cattle Health Committee began talking to Ben
- 23 Thorlakson of the Canadian Cattlemen Association to
- 24 discuss the need of US and Canada to reduce animal
- 25 health barriers, free movement of cattle north and

1 south. Initial meetings were held in September of
2 1995, between the two groups, and the beginning of
3 what is now a five-year project known as the
4 Northwest Pilot Project.

5 Following almost a year's discussion in
6 November 1996, MSGA, NCBA, Ag Canada, Montana
7 Department of Livestock, and USDA met in Helena and
8 began discussing protocol to bring down animal
9 health barriers. In the spring of 1997, the
10 Montana Legislature passed legislation that would
11 allow the Montana Board of Livestock to have the
12 authority to allow unvaccinated cattle to enter
13 Montana from brucellosis-free states or Canada
14 under a two-year provision. So the Northwest Pilot
15 Project moved forward.

16 In 1997, the protocol for cattle
17 movement under the Northwest Pilot Project was
18 approved and implemented. Almost immediately
19 after that, in November 1997, USDA announced a new
20 animal health regionalization project which
21 essentially eliminated any protocol restrictions on

22 Canadian cattle coming south under the Pilot
23 Project. No reciprocity was demanded from the USDA
24 of Canada to develop a similar regionalization
25 project. Canada tells us today that it will be the

1 spring of 2001 before this can be done. In the
2 meantime, US regionalization moves forward and US
3 markets become more accessible.

4 To continue with the progress of the
5 Pilot Project, only three feedyards signed up for
6 the project in 1998. Approximately, 780 US cattle
7 moved north to the Canadian feedyards during the
8 winter of '98 and '99, due largely to unfair
9 protocol adopted by Ag Canada and a monetary
10 exchange rate. The bottom line is the project
11 didn't work. US feeder cattle didn't have good
12 access to the Canadian market north, but the US
13 market was still open.

14 In the spring of 1998, MSGA asked for
15 review of protocol to make the project work. And
16 in April of 1998, Ag Canada released a draft of a
17 proposed protocol and indicated it would be
18 approved by September 1st. During the summer of
19 1998, the frustration of US producers grew to a
20 point that border demonstrations took place and
21 initiation introduction of trade petitions on

22 dumping and countervailing duties with the
23 Department of Commerce and International Trade
24 Commission took place. Then, all of the sudden, in
25 August 1998, largely due to political pressure, new

1 protocol was introduced that was based on sound
2 science and more favorable to US producers. Cattle
3 began to move, and during the winter and spring '98
4 and '99, more than 40,000 head of cattle moved
5 north from the US into Canada. The project was
6 finally working after five years of negotiations
7 and worked largely initiated by producers from both
8 countries.

9 The problem was not with ag producers,
10 themselves, the problem was with the government in
11 both US and Canada. Producers don't mind competing
12 with one another on a level playing field, however,
13 producers feel helpless and feel very frustrated
14 when they find themselves competing with other
15 governments, international politics, and poor
16 science. Had reciprocity and sound science been
17 demanded initially, the animal health regulations
18 of the Northwest Pilot Project would not have been
19 so difficult to implement or may have not even been
20 necessary.

21 We realize this is a complicated area,

22 but we also see no reason for USDA, for example, to
23 initiate an improvement of regionalization product
24 allowing Canada access into the US without, at the
25 same, demanding reciprocity and regionalization

1 from Canada which would allow US access to same
2 markets. Successful WTO talks are dependant on all
3 aspects of trading being fair to everyone and this
4 includes import regulations, export regulations,
5 and reciprocity that lead to equal access at the
6 same time trade is allowed. US agriculture cannot
7 be sacrificed in the name of free trade. It must
8 include fair trade and regulations to prevent the
9 US producer from the spiraling downward price the
10 global market commodity prices have experienced in
11 recent years.

12 It is reducing the standard of living of
13 US producers to a poverty level, and will
14 restructure agriculture by eliminating the family
15 farm and ranches across the country. We do not
16 want to see this happen and hope you will take a
17 strong position in the WTO talks to see that it
18 does not happen. Thank you for the opportunity.

19 MR. NELSON: Thank you, John. Panelists?

20 MR. GALVIN: I think you made several very
21 good points. And I think your description of the

22 past few years and the difficulty of getting that
23 program up and running pretty much tells the story.
24 Is it your assessment that finally now the program
25 is now working as intended and there aren't any

1 hitches? Or is there room for further improvement?

2 MR. SWANZ: I think the main point is to keep
3 Canada pushing to get their protocol in place,
4 which they seem to keep putting it off to another
5 six months or another year. And the pressure needs
6 to be applied to make them comply with that
7 protocol and get it in place.

8 MR. GALVIN: That is true. I think it's
9 going to be several more months, unfortunately,
10 before they're ready to move ahead on
11 regionalization. One other issue that we carved
12 out last fall that I think we made a lot of
13 progress on, is the whole issue of animal drugs and
14 their availability in trying to establish similar
15 procedures on both sides of the border in terms of
16 which drugs can be used and when they can be used.
17 And I think we're very close on that issue and
18 we're ready to harmonize that. So we have made a
19 lot of progress on that specific issue in just the
20 last few months.

21 MR. NELSON: Panel, any additional questions

22 or comments? John, thanks very much.

23 Nancy Keenan, Montana Superintendent of Public

24 Instruction. Nancy.

25 MS. KEENAN: Thank you, Bruce. Ladies and

1 Gentlemen of the panel, thank you for allowing me
2 the opportunity to participate today with the World
3 Trade Organization's listening session. I also
4 want to thank the representatives of the US
5 Department of Agriculture, your US trade
6 representatives, the State Department, of course,
7 our own Department of Agriculture here in Montana.
8 But most importantly, thank the farmers and
9 ranchers that are here with us today for taking
10 time out of their day, which is a very busy time of
11 year, so that they all could share with your their
12 views. They're the ones that know firsthand the
13 impact multilateral trade policies have on their
14 daily lives.

15 My goal in being at this meeting is,
16 first, to listen also to the challenges confronting
17 Montana agriculture today and the rural
18 international trade place and the economic
19 livelihood of our families and our agriculture
20 producers. I don't claim to be an expert on
21 agricultural policy or agriculture, but one thing I

22 do know is that Montana farmers and ranchers are
23 facing a crisis of proportions not seen since the
24 Great Depression. Our state's number one industry,
25 our Main Street businesses, and our unique

1 irreplaceable rural way of life is truly at risk.

2 Montana's agriculture producers aren't
3 asking for any sort of preferential treatment. All
4 they want is a little fairness in their lives, a
5 level playing field. In 1996, the price of wheat
6 was \$4.24 per bushel. In June, that price is
7 \$2.80. It doesn't take an economist or anyone
8 that is a rocket scientist to understand or figure
9 out that you can't stay in business for long when
10 your costs of production so greatly exceed your
11 market price.

12 As Montana State Superintendent of
13 Schools, I have experienced firsthand how
14 bankruptcies and business closures have impacted
15 our rural schools. I have experienced firsthand
16 the lack of hope that many of our young children,
17 many of whom are here today, the lack of hope they
18 have in staying and working on that land. Now, we
19 all know that international trade agreements are
20 neither the complete cause nor are they the
21 complete solution to the crisis we face here in

22 rural Montana.

23 To help our state's ag producers to turn

24 the corner and get past these tough times, will

25 require a number of policy changes, both domestic

1 and foreign. Here at home, raising the loan caps
2 for grains and rigorous enforcement of our
3 antitrust statutes as it pertained to the
4 concentration of capital and market share in the
5 agribusiness industry is a good place to start.
6 However, insofar as WTO negotiations impact our
7 family farmers' and ranchers' bottom line, we need
8 to make sure that legitimate needs of our
9 agriculture producers are not sacrificed at the
10 alter of international trade relations.

11 So at this next round of world trade
12 negotiations, and as they get underway, we need to
13 make sure that US negotiators do not make
14 concessions which hurt agriculture in order to gain
15 advantages for other industries. That's why I
16 would urge you to keep the upcoming negotiations
17 focused on agriculture and not the multisector
18 negotiations that re-examine all components of
19 trade agreements.

20 It is also unfair that the average US
21 tariffs for US agriculture products, averaging 3

22 percent, are so far below the rest of the world's
23 agricultural producing countries. Montana and
24 American producers deserve fair access to those
25 international markets. We should not allow the

1 European Union to use questionable health concerns
2 as disguised trade barriers to American beef
3 imports. EU member nations should be compelled to
4 live up to their commitments fairly and freely
5 entered into during the Uruguay Round of WTO
6 negotiations. The world trade dispute settlement
7 process needs to be able to compel the EU to change
8 its policy on beef imports. Not simply to allow
9 the US to put tariffs on truffles and Rochefort
10 cheese.

11 In conclusion, I want to reiterate that
12 all Montana family farmers and ranchers are asking
13 for in these upcoming rounds of WTO discussion is
14 an honest deal. It's important that US trade
15 representatives to Seattle negotiate to be
16 champions for the voices and concerns of Montana
17 and America's agricultural producers. You've heard
18 it today already, be strong, stand your ground.
19 And when in doubt, recall the voices you heard here
20 today in Montana, and we welcome you back or call
21 us up and, again, recall what you heard from these

22 producers here. And if I might be so bold, on
23 behalf of the children of Montana, they would also
24 say the force be with you. Thank you for allowing
25 me this opportunity.

1 MR. NELSON: Thank you, Nancy. Panel, any
2 questions or comments?

3 MR. GALVIN: Thanks for your statement. Just
4 a quick comment on the beef hormone issue. I do
5 want to assure people that the position of the US
6 Government has been -- our primary objective has
7 been to get the EU to lift that ban. And we only
8 resorted to this retaliation because, of course,
9 the EU has been resistant to that. But our number
10 one objective remains having the EU lift that ban
11 so that we can enjoy access to their market and
12 hopefully \$100 million to \$200 million worth of
13 increased sales on behalf of US beef producers.

14 MS. KEENAN: Thank you.

15 MR. NELSON: Thank you, Nancy. Now, we will
16 take a break for lunch.

17 (Whereupon, a lunch recess
18 was taken.)

19 MR. NELSON: All right. We've got first
20 Bill Donald, who is a Director of the Ranchers
21 Cattlemen Action Legal Foundation. And Bill will

22 be followed by Dennis McDonald, who is also a
23 director of the Rancher Cattlemens Action Legal
24 Foundation. I think it's probably better known as
25 R-CALF. So, Bill.

1 MR. DONALD: Thank you, Bruce, and thanks to
2 the panel for allowing me to speak to you today.
3 My name is Bill Donald. Along with my family, I
4 own and operate a cattle ranch in south central
5 Montana, and I'm here representing R-CALF. And my
6 goal in speaking to you today is to convey to you
7 the importance of returning profitability to family
8 agriculture.

9 R-CALF is a nonprofit corporation whose
10 purpose is to initiate actions to have the US trade
11 regulations enforced to the intent of the US
12 Congress to make sure the trade relief laws are
13 implemented in the cattle industry in a fair,
14 nondiscriminatory manner. With the support of more
15 than 25,000 farmers and ranchers and their families
16 and over 100 farmer and cattlemen associations,
17 R-CALF brought antidumping and countervailing duty
18 case petitions against the dumped and subsidized
19 cattle from Canada and Mexico.

20 Restoring conditions of fair trade to
21 the US cattle market is an important step to

22 returning our industry to profitability. The
23 United States's cattle producers' future depends in
24 a large measure on establishing conditions of open
25 and fair trade for cattle and beef throughout the

1 world. To date, R-CALF has overcome great
2 obstacles to receive an affirmative preliminary
3 ruling from the Department of Commerce concerning
4 the Canadian cattle that have been dumped on the US
5 market. The petition process is designed to
6 protect domestic industry from the negative impacts
7 of illegal trade, is an arduous and expensive
8 endeavor.

9 I've heard the success of R-CALF
10 described as ordinary people doing extraordinary
11 things. The ability of United States producers to
12 protect ourselves from illegal imports should not
13 require either extraordinary efforts nor funds.
14 The impact suffered by the cattle producers of the
15 United States by illegal imports are
16 well-documented. If any changes are to be made in
17 the process, they should be changes that enhance
18 the ability of United States citizens and industry
19 to protect our livelihoods, not to make an arduous
20 expensive process more so.

21 You will hear some comments on changing

22 the dumping petitions and the criteria. And the
23 idea that antidumping petitions should not be
24 allowed when a commodity is in the lowest part of
25 the cycle goes against the very intent of allowing

1 the industry the ability to minimize the negative
2 impacts of the cycles it will inevitably face. One
3 of the basic economic laws is the basis for the
4 antidumping petition process, and that is supply
5 impacts price. A supply increase, price decreases.
6 Most economists agree for every 1 percent increase
7 in the supply of cattle, cattle prices decrease
8 between 1.2 and 1.5 percent. This degree of impact
9 makes it easy to see how imports have the ability
10 to make the lows in the cycle lower and longer.
11 That would be the impact of removing the
12 antidumping petitions for a period when the
13 industry is in a low-price portion of the cycle.
14 The cycle lows would be lower and they would last
15 longer.

16 I appreciate this opportunity to express
17 our views on these important issues, and I applaud
18 the Administration for listening to the citizens
19 that are affected by these trade regulations. We
20 would like to request the Administration take this
21 opportunity to work toward streamlining and

22 enhancing the process producers utilize to protect
23 our livelihoods. Rules that ensure conditions of
24 fair and equitable trade must be kept and
25 strengthened. No producer should be subjected to

1 competing against export subsidies which have the
2 impact of depressing both domestic and import
3 prices.

4 Likewise, our market should not be
5 allowed to become a dumping ground for excess
6 supplies when foreign prices fall below foreign
7 production costs. The Administration should also
8 review domestic law and make any revisions
9 necessary to permit cattle producers to pursue
10 unfairly traded imports of beef, as beef prices
11 directly affect the price we receive for our
12 cattle. At this time, cattle producers have no
13 right to pursue unfairly traded imports of beef,
14 only cattle.

15 Again, I thank you for this opportunity
16 to express the views of thousands of cattle
17 producers and I hope my comments have been helpful
18 in our goal of restoring profitability to family
19 agriculture. So thank you. With that, I entertain
20 any questions.

21 MR. NELSON: Bill, thank you. One thing

22 before I turn this over to the panel. Just, again,
23 because we had some folks join us who weren't here
24 this morning. Alan Hrapowsky, Alan, would you stand
25 up again, please? Alan is from the Foreign

1 Agriculture Service, and he's here if you have
2 copies of testimony or comments or anything you
3 would like to submit for the record, please, give
4 those to Alan. And, of course, our presenters,
5 their testimony or presentations, we want to make
6 sure that Alan gets copies of those so that
7 everything here is on the record today. Panel?

8 MR. SCHROEDER: Bill, I see Dennis is from
9 R-CALF also, I guess the question in my mind is,
10 what are we going to do with this border? We've
11 got this NAFTA, Canada is right there next door,
12 Mexico is down there next to Texas. As we look at
13 this, how do you see this in the next five or ten
14 years? Do you want that border maintained and sort
15 of reinforced? Or would you like to see more of a
16 North American marketplace. I think that's the big
17 issue for both Canadians and Mexicans and US
18 producers.

19 MR. DONALD: Well, the difference, I guess I
20 would like to see it maintained until our cost of
21 productions are equal to those in Canada and

22 Mexico. I figured up our taxes on our ranch and I
23 took all the taxes, the unemployment tax, worker's
24 comp, income tax, property tax, licenses, and I
25 divided it by the number of cows and I got nearly

1 \$100 a head.

2 Now, I don't know what the taxes in
3 Mexico are, but if they're less than \$100 a head,
4 we can't have a totally free and open border, the
5 same with Canada. At the time that our dollar is
6 the same between all three countries and the time
7 that our regulatory taxing structure is the same, I
8 guess at that point we could discuss it. But at
9 this point, there are several distinct differences
10 in the three countries and those borders are
11 necessary.

12 MR. McDONALD: In addition to that, if I may
13 just add, in the short run, what we really need is
14 for the existing regulations to be fairly enforced.
15 Subsidies, the dumping laws, at least in the short
16 run. If our trading partners, both north and
17 south, played by the rules, it wouldn't solve the
18 problem, but it would at least place us in a
19 position where we could more adequately compete.

20 MR. GALVIN: Do you guys see much potential
21 for this dumping issue to be used against our

22 exports? I look at most of our basic commodities
23 from livestock to grains and I think you could make
24 a fair case that most of our producers right now
25 are selling under the cost of production. Might

1 not that lead to charges by some of the countries
2 we're currently exporting to that we're, in fact,
3 dumping our exports overseas, too? Comment on the
4 potential there?

5 MR. DONALD: As far as cattle go, which is
6 what I'm most familiar with, we exported, I think
7 you said, 51,000 head of feeder cattle. We don't
8 export much of our cattle. We export mostly
9 processed meat to Mexico. And I'm not sure, I know
10 Mexico has talked about an antidumping case against
11 beef, but I don't believe the processors of this
12 country have been in a negative margin for
13 significant enough for that case to have merit.
14 And I'm not worried about them, meaning Canada or
15 Mexico, pursuing antidumping against the ranchers
16 because we don't export enough to them to make it
17 matter.

18 Now, I know that some of those feeder
19 cattle that went up into Canada did, in fact, go up
20 at a loss. But I don't think 51,000 head is going
21 to be -- have enough merit to make a case. And, I

22 guess, until we start exporting more cattle out of
23 this country, it's not going to be an issue.

24 MR. GALVIN: How about a commodity like
25 wheat? If the current national average on wheat

1 is, say, \$2.30 a bushel, and it's probably under a
2 number of people's cost of production, do you see
3 that opening us up to any potential challenge?

4 MR. DONALD: Well, it has the potential for
5 that, but I'm not so sure we should be dumping
6 commodities on other countries just as we don't
7 like them dumped on us.

8 MR. McDONALD: To follow up on what Bill just
9 said, I was asked a similar question while speaking
10 to a few Mexican cattlemen and a group of Texas
11 cattle folks. And my reply was simply, we don't
12 want you to break the law, we're suggesting that
13 you follow the rules. I certainly wouldn't suggest
14 that we be given some special dispensation even in
15 these times of stressed prices. We have a set of
16 rules. I happen to believe that the economics is
17 such that if we all played by those rules and
18 traded by those rules, it would be of some added
19 value to all of these products. We found that, for
20 example, in the tomato case with the Mexicans
21 bringing tomatoes in here, and the antidumping

22 petition was filed. The net result was it improved

23 prices both north and south of the border.

24 MR. NELSON: Panel, any other questions or

25 comments for Bill? All right, Dennis McDonald,

1 also an R-CALF director, will be next. And then
2 following Dennis will be Wally Klosey and
3 Susie Tilton-Chiovaro, who will be dividing the
4 time. Wally, that's not double the time, that's
5 divided the time. Dennis McDonald.

6 MR. McDONALD: Thank you, Bruce, and thank
7 you distinguished panelists. My name is
8 Dennis McDonald. I, along with my family, operate
9 a cow/calf operation near Melville. And as Bruce
10 has indicated, I'm a representative of R-CALF. I
11 appreciate the opportunity to speak with you today.
12 It's especially rewarding to have this opportunity
13 at a time when there's a real crisis in the
14 agriculture sector. Hopefully, without being
15 labeled a whiner, I can describe the perils that
16 the cattle industry is in, fairly succinctly.

17 You might recall in 1972, that, by the
18 way, was the date that we negotiated the Canadian
19 Free Trade Agreement, that year, for the first time
20 in history, the Dow Jones industrial average broke
21 1,000. At that time, we were selling finished

22 cattle ready for slaughter in excess of
23 70 cents. This year, the Dow Jones for the first
24 time in history broke the 11,000 barrier. This
25 morning we were selling finished cattle ready for

1 slaughter at 63 and 64 cents.

2 R-CALF has brought to light the problems
3 that imported cattle and beef are having on our
4 industry. Most economists have calculated that
5 imports are now costing our industry in excess of a
6 billion dollars annually. Last year we saw a
7 1,600,000 head of cattle come south across the
8 border from Canada. We saw another 700,000 head of
9 feeder calves coming north across the border from
10 Mexico. This year, Mexican imports are up 21
11 percent, Canadian imports are down slightly. How
12 has this affected our market?

13 You know, we've reduced domestically
14 here in this country our cow herd by approximately
15 2 million head since the highs of 1995. We weaned
16 the smallest calf crop last year since 1951. And,
17 yet, our industry continues to operate at a loss.
18 Now, I know it's axiomatic that we will have free
19 and open trade as we go down this global trading
20 economic path. Further, neither myself nor
21 producers that I know want to be labeled

22 protectionists. But the reality is, as the US
23 enters this next round of trade negotiations, the
24 very viability of our industry is going to be in
25 the hands of our trade negotiators. Our industry,

1 our way of life is at stake.

2 The first priority of our negotiators
3 should be to find a way in these negotiations to
4 restore profitability to the American family farm
5 and ranch. Presently, we don't have much hope. My
6 daughter is a junior here at MSU and an Ag student.
7 She and her three siblings want nothing more than
8 to come home and operate the ranch. They won't
9 have that opportunity unless our negotiators
10 resolve some of these issues.

11 To successfully achieve some advantage
12 in our negotiations, we must take a realistic look
13 at where this industry stands. For example, in
14 Argentina, it costs \$70 to maintain a cow annually.
15 USDA reports our average cost at an excess of \$340.
16 A 750 pound feeder steer in Argentina yesterday
17 sold for 35 cents. USDA reports our nationwide
18 average cost of production for a similar critter at
19 76 cents. Presently, the cost of gain of a calf in
20 a Brazilian feed lot is 17 cents. I called to
21 Nebraska yesterday, and our average cost for a

22 similar animal, per pound of gain, is 40 cents.
23 Brazil ranks third in the world in terms of corn
24 production, behind ourselves and China. So it is
25 clear that we cannot compete despite the fact that

1 our domestic industry is the most efficient and
2 produce the best product in the world.

3 We have seen the ITC making a
4 preliminary ruling in January that imports were
5 having a material detrimental effect on our
6 industry. And I see I'm out of time so I'll cut
7 this short. We recently, as well, observed the
8 Department of Commerce's recent ruling that live
9 cattle were being brought into the country at below
10 Canadian cost of production. We're hopeful that
11 the margins placed on those cattle in the
12 preliminary ruling will assist in solving some of
13 our marketing problems.

14 One last thought. One of the most
15 difficult items in bringing that antidumping
16 petition was the definition in NAFTA, like kind.
17 It prevented producers in R-CALF from looking at
18 beef imports, which obviously are having a
19 significant impact on our market. The like kind
20 definition, vis-a-vis live cattle, prevented us
21 from reaching those issues.

22 MR. NELSON: Thank you, Dennis.

23 MR. GALVIN: Thanks, Dennis. Could you

24 describe for us what you view as the Canadian

25 subsidies that are in place for their cattle

1 producers?

2 MR. McDONALD: I guess, I should say
3 initially, you know, the Department of Commerce
4 issued a preliminary ruling a month or more ago now
5 indicating that the Canadian subsidies were
6 diminimous in their effect on our market. We were
7 surprised by that. Our research seemed to indicate
8 that just the barley subsidy that the Canadians
9 enjoy allows them to finish a steer at \$60 under
10 our cost. And although that was a preliminary
11 ruling, it is a concern. Hopefully, Commerce, when
12 they make their final determination in the next
13 couple of months, will get it right.

14 MR. GALVIN: But you don't have any of your
15 own views as to what subsidies they may have in
16 place in Canada?

17 MR. McDONALD: Again, the barley subsidy was
18 the biggest single subsidy that we were concerned
19 with. And many of their subsidies, as I understand
20 it, are camouflaged a bit. For example, investment
21 tax credits on machinery, favorable depreciation

22 schedule; a tax structure, maybe I should say,
23 overall, that is advantageous. Subsidies on fuel
24 and transportation and trucking, when we looked at
25 all those items, we were quite surprised that the

1 Department of Commerce didn't come to a different
2 conclusion on their preliminary determination.

3 MR. SCHROEDER: Just a general comment. When
4 we enter these negotiations, believe me, that none
5 of us have any interest or desire to do anything
6 negative to America's producers and industries. We
7 try to do the best we can to achieve positive
8 outcomes. But we're still talking trade agreements
9 here. And your phrase, you hope that we can
10 "restore profitability to the American family
11 farm." There's no way we can do that.

12 We have to have domestic farm policies
13 that provide a solid support for America's family
14 farmers. But that's another question. I think
15 these trade agreements have been oversold, frankly,
16 by both sides. If you go back to debates on NAFTA
17 and on the Uruguay Round, the detractors said that
18 these agreements were going to be the end of
19 America as we know it. Ross Perot predicted a
20 million jobs and all our factories were going to
21 move across the border. Well, that didn't happen.

22 And on the other hand, the proponents said we're
23 going to create hundreds of thousands of jobs in
24 the United States and this is going to be the
25 salvation and all that stuff.

1 So both sides have oversold these trade
2 agreements. They're very important, they're
3 crucial, and we're going to try to help you all by
4 making them positive and beneficial and so the
5 conditions will improve. They're not the answer,
6 and we can't tell you that there's some trade
7 agreement which is going to restore profitability
8 to America's family farms. We've got to look at
9 our domestic farm policies, what kind of support
10 systems, safety nets, whatever you want to call it,
11 that has to be the principle bull work for our
12 farms.

13 MR. McDONALD: Certainly, what you're saying
14 is true, and often times, I guess, it depends on
15 what part of the elephant you happen to be
16 touching. If our economists are accurate and the
17 imports this last year cost our industry over a
18 billion dollars, that's not diminimous. That's up
19 to \$80 a calf. Just that, in and of itself, would
20 make a great difference in our operation.

21 It kind of leads into -- I'm quite

22 aware, I know our negotiating team has absolutely
23 the best motives in mind. I looked at the
24 membership on the Senate Ag Advisory Committee for
25 trade, and you know what's not there, Jim? You

1 just don't have much representation from the small
2 family cow/calf producer out in the country. Why?
3 Why don't we have some grassroots cattle producers
4 on that committee that could talk as you and I are?
5 It's dominated by big industry, big feedlots, and
6 probably for a variety of reasons, much what we're
7 responsible for. I often think that our trade team
8 is out of tune with the grassroot guy out here in
9 the sagebrush that's earning a living with these
10 cattle or are trying to. That's a little off
11 point, but....

12 MR. NELSON: Okay, Dennis, thank you very
13 much. Next will be Wally Klosey and
14 Susie Tilton-Chiovaro. And then following them
15 will be Gilles Stockton, Northern Plains Resource
16 Council Representative, also representing the
17 Western Organization of Recourse Councils. And,
18 again, my apologies if I have mispronounced that
19 first name.

20 MR. KLOSEY: Mr. Chairman, Ladies and
21 Gentlemen of the committee, I am a rancher from the

22 Twin Bridges area. I am not only here representing
23 myself but some neighbors down in our area. And I
24 can tell you this with all honesty, that if there
25 isn't something major done in the agricultural

1 community in the next year, you're going to see the
2 demise of several more farms and ranches going down
3 the tube. Two of my neighbors just lost their
4 places in the last six months. This is a serious
5 situation. You cannot produce and sell for less
6 than the cost of production forever and exist.

7 I heard your comments here about
8 domestic policy. I guess, I'm kind of a C-Span
9 nut. Senator Dorgan from North Dakota has a
10 proposal in the Ag Committee, along with
11 Senator Kerry from Nebraska, and they want to put
12 on some subsidies on X number of bushels of wheat.
13 I don't exactly know how the bill is written, if
14 it's written at all yet, but I did see them
15 discussing it. But the thing I would like you to
16 keep in mind is this: We have went through
17 subsidies and invariably it is the people that get
18 the money that aren't generating -- they're not
19 legitimate farmers and ranchers. They're hobby
20 farmers.

21 In our area, I have a television magnet

22 across the hill from us. He buys out the Snowcrest
23 Ranch. He gets a subsidy from putting land into
24 soil conservancy, half the cost of the ranch, and
25 now he's competing with us. These kind of

1 incidents are where our subsidy money is going. I
2 can cite you two or three other ones. And I would
3 suggest to you that if you are involved in this,
4 that 80 percent of the income has to come off of
5 the farm and the ranch before they're entitled to
6 any subsidy. They are the people out there that
7 need it, it isn't these hobby farmers. I have a
8 neighbor over there that's an heir of the ConAgra
9 people, it's a hobby.

10 And another thing that's kind of
11 puzzling to us is how come that the United States
12 Department of Agriculture purchased buffalo meat
13 when you could purchase four steers for the price
14 of one buffalo for the school lunch program? You
15 know who the big buffalo producer is in the
16 United States, I'm quite sure of that. And there's
17 your subsidy money again that I was just referring
18 to. These are the kind of things that you have to
19 see that the money gets out to the farmer and
20 rancher that's trying to make a living off the farm
21 and the ranch.

22 I don't have any answer to any of the
23 problems, but I'm just here stating the case. If
24 something isn't done pretty damned soon, you won't
25 have anybody left. There's no young people going

1 back into agriculture. I'm sure that Mr. Nelson
2 can tell you this. The cattle are coming across
3 the border. I'd like to know who owns these
4 cattle. I sit there in Twin Bridges and I cut a
5 field of hay along the highway, and I counted 53
6 Canadian cattle trucks while I was cutting that
7 field of hay. Now, who owns those cattle? And who
8 gets the exchange rate on the money? There's two
9 questions I'd like to have the answer to.

10 And I guess that's about all, I'm going
11 to yield the balance of my time to
12 Susie Tilton-Chiovaro. Thank you very much.

13 MS. CHIOVARO: Susie my name is
14 Susie Tilton-Chiovaro. By way of a little bit of
15 history, I'm done a fair amount of farm advocacy.
16 I've assisted in doing approximately 63 Chapter 12
17 bankruptcies. And I've done quite a bit of work
18 with the Montana Association of Churches.

19 I'm the fifth generation of my family
20 with ties to agriculture in Montana. My children
21 are the sixth. But in trying to help my children

22 make decisions about their futures, I cannot, in
23 all conscience, encourage them to enter the field
24 of agriculture. Why? It's not because I don't
25 love the way of life. I've long felt being a

1 steward of the land and the creatures of the earth
2 was a soul satisfying occupation, though seldom
3 remunerative.

4 I watch as my family, friends, and
5 neighbors struggle against enormous odds to survive
6 in a field that pits man against incredible odds.
7 It's not enough that a rancher should have to
8 contend with the ordinary obstacles today, whether
9 disease, market foibles, interest rates, and
10 increasing pressure from urban sprawl. Now, thanks
11 to the benevolent Great White Father, we can watch
12 as truckload after truckload of imported market
13 livestock enter the country to drive the prices
14 down even further.

15 About 15 years ago, most of you would
16 remember we went through a sort of a cleansing of
17 so-called marginal producers, most of which was
18 accomplished with a "voluntary" liquidation. It
19 took a class-action lawsuit to stop that or slow it
20 down. All the indications I see today are that we
21 are beginning another cycle of elimination of

22 producers. As an example, my brother-in-law has a
23 ranch which was once a place where a family could
24 make a living. He sold his cattle to pay off part
25 of his mortgage, and he is currently diversified

1 into lumber enterprise, pasture enterprise, and
2 outfitting. He is barely surviving and pounds his
3 steering wheel in frustration as he drives to town
4 to give music lessons, which, by the way, he uses
5 to live on, because he watches four or five cattle
6 trucks a day come into the country from Canada. How
7 many more of our neighbors are going to go down the
8 tubes this year when there is no market for our
9 livestock because of the imports?

10 God forbid, the solution rests with
11 giving up. I dare say there's no one in this room
12 who is willing to do that with a smile on their
13 face. For me, my options are to continue to with
14 my teaching job, which I'm very fortunate to have,
15 continue to subdivide my land, and brush up on my
16 Chapter 12 skills because I think those are the
17 only options that are being left to us.

18 Anyone that has survived this long has
19 undoubtedly explored all the possibilities for
20 diversification, exhausted most likely sources of
21 credit, and spent hours trying to find solutions.

22 The solution don't rest with us, the producers.
23 It's a problem we didn't create. The problem of
24 massive quantities of imported market livestock is
25 a direct result of an economic policy that is

1 designed to destroy American agriculture. We have
2 cheap food in this country, and until there is a
3 concerted common sense approach to closing the
4 ever-widening gap between the haves and have-nots,
5 the best suggestion I have is to sell your
6 livestock, go to truck driving school, and move to
7 the Canadian boarder. Oh, oops, that will
8 interfere with the Canadians, wouldn't it? Sorry.

9 In closing, I want to emphasize that it
10 is vital to halt the flow of imported livestock
11 from continuing to flood our markets, and at least
12 give our producers a level playing field. I remind
13 you that the most powerful symbol in this country,
14 next to the cross, is a question mark. Ask
15 questions about these trade agreements, demand
16 answers to why we are driving our producers out of
17 business and continuing to make our country
18 vulnerable. We're a debtor nation and now we're
19 losing the basic means of production. It's simply
20 got to stop. Thank you.

21 MR. NELSON: Wally, Susie, thank you. Panel?

22 MR. SCHROEDER: I'll let Tim take that

23 buffalo question.

24 MR. GALVIN: We're certainly aware of that,

25 but it's not an issue the Foreign Ag Service is

1 involved in. I just want to throw that in.

2 But we're certainly aware of the concern
3 about those purchases. As you know, additional
4 purchases were made in the beef and pork sectors,
5 as well, over the past year to try to help things
6 out as well. But your point is well taken.

7 MR. KLOSEY: I just wanted to stir up a
8 hornet's nest.

9 MR. NELSON: Thank you very much. Next is
10 Gilles Stockton, Northern Plains Resource Council
11 representative and also representing the Western
12 Organization of Resource Councils. Following
13 Gilles will be Lloyd DeBruycker, who is an owner of
14 DeBruycker Charolais, another neighbor of mine
15 from the Dutton area.

16 MR. STOCKTON: Mr. Chairman, panel, am I
17 close enough to this thing? My name is
18 Gilles Stockton, so you were pretty close. I raise
19 sheep and cattle near Grass Range, Montana. And
20 today I'm representing the Western Organization of
21 Resource Councils, WORK, for short. WORK is an

- 22 association of six grassroots organizations
- 23 dedicated to protecting the natural and human
- 24 resources in North and South Dakota, Wyoming,
- 25 Colorado, Idaho, and Montana.

1 The more I've been thinking about
2 hormones and bananas, the madder I've been getting.
3 Obviously, this country does not export bananas.
4 So why did the Clinton Administration decide to
5 take up the cause for Chiquita? Why, instead,
6 didn't President Clinton move to protect sheep and
7 cattle ranchers who are being hammered by a flood
8 of imports. Instead, our government decided that
9 the Europeans are not eating enough hormones with
10 their beef. USDA secretary Dan Glickman found the
11 solution that we were challenging an unfair,
12 unscientific restriction keeping out American Beef.
13 Perhaps, we're not supposed to notice that Europe
14 has a surplus of beef and actually subsidizes
15 exports.

16 Hormones implanted in cattle may or may
17 not be safe, but the European consumer is
18 understandably frightened and wary as a result of
19 the Mad Cow Disease scandal. But if the
20 pharmaceutical companies say that Europeans will
21 eat beef raised with synthetic hormones, then

22 Europeans will eat beef raised with synthetic
23 hormones. And, apparently, our government will
24 make sure that they do. The issue here is not
25 whether the Europeans purchase hormone-raised beef,

1 the issue is of democracy and self determination.

2 Has the trade committee superceded the

3 constitution? Do the rights of corporation now

4 come before the rights of the people?

5 So now we have NAFTA, GATT, and WTO, and

6 we see clearly the disaster that it's caused in

7 Rural America. In the propaganda blitz building up

8 to the adoption of the so-called treaties,

9 agriculture was promised prosperity. Instead, we

10 got the disintegration of competitive markets and

11 the economic depression covering all of Rural

12 America, if not the world. Globalization is proven

13 to be baloney.

14 One cannot logically separate the

15 anti-democratic and anti-family farm provisions of

16 the trade agreements from the destruction of

17 agriculture caused by the Freedom to Farm Act and

18 combine the above with the institutional failure of

19 the United States Government to enforce the

20 anti-trust laws or to promote competitive markets.

21 And, of course, we see the results has reached

22 crisis proportions. So what to do?

23 On the domestic side, WORK supports the

24 seven points presented by the Northern Plains

25 Resource Council. And, in particular, to make the

1 trade agreements fair for American producers and
2 consumers, this country must immediately and
3 retroactively enforce the anti-trust laws.

4 Secondly, the laws and regulations must
5 be enacted mandating competitive markets for all
6 agricultural products, and start by immediately
7 implementing the rules proposed by WORK that would
8 require all packer-owned and forward-contracted fat
9 cattle to be priced in an open and competitive
10 market.

11 And, thirdly, require that all imported
12 agricultural products meet minimum US food safety
13 standard inspection standards, and institute a
14 border inspection system that actually inspects
15 imported food.

16 As to the WTO talks coming up this fall,
17 we support the points made by the Institute for
18 Agriculture Trade Policy presented on the June 7th
19 listening session in St. Paul, Minnesota. In
20 addition, we feel that the American people have the
21 right to full public disclosure of the US position

22 prior to the WTO talks. And we are particularly
23 interested in proposals to incorporate antimonopoly
24 policies in the global issues.

25 We absolutely oppose the US Government's

1 proposal to prohibit or limit a country's right to
2 label products according to origin, genetic
3 manipulation, or production methods. And we also
4 will not have much confidence in the outcome of
5 these talks unless you name a cross section of real
6 farmers and ranchers to the WTO negotiating team.

7 As we see with this trade war with
8 Europe over bananas and hormones, what has been
9 created with NAFTA, GATT, and WTO are the
10 conditions where multinational corporations rate
11 supreme. Now any local, state, or national law in
12 any country that any corporation finds inconvenient
13 can and will be disallowed. And I'm reminded of
14 the prophetic words of the poet, philosopher, and
15 farmer Wendell Barry when he wrote, and I quote,
16 "We are now pretty obviously facing the
17 possibility of a world that the super national
18 corporations and the governments and educational
19 systems that serve them will control entirely for
20 their own convenience, and, incidentally, and
21 inescapably for the inconvenience for all of the

22 rest of us. This world will be a world in which a
23 culture that preserves nature and real life will
24 simply be disallowed. It will be, as our
25 experience already suggests, a post-agricultural

1 world. But as we have been warned, as we begin to
2 see, you cannot have a post-agricultural world that
3 is not also post-democratic, post-religious, and
4 post-natural. In other words, it will be as we
5 have understood ourselves, post-human."

6 Thank you for the time.

7 MR. NELSON: Thank you, Gilles. Panel, any
8 comes or questions?

9 MR. GALVIN: Yes, with regard to your point
10 about the beef hormone issue, not surprising, I
11 guess I would phrase it a bit differently or look
12 at the issue a bit differently. And, in my
13 opinion, it really boils down to are we going to
14 have any sort of rules that govern world trade or
15 should each country be free to keep out products
16 just because they're imported, because they don't
17 like them for whatever reason, because the color or
18 whatever? And if you agree with the basic premise
19 that there ought to be some sort of rules, then I
20 think the question is, how should those rules be
21 constructed? What should the basis be for allowing

22 other countries to restrict or allow imports of

23 some sort.

24 I think that's sort of where it boils

25 down to in this particular case. And we said that

1 so long as scientists generally agree that a
2 product is safe, then the exporter should have
3 simply the opportunity to market that product in
4 another country. It doesn't mean consumers in that
5 country have to buy it, it's just a question of,
6 can the product even be offered for sale? And, I
7 guess, that's how I view the beef hormone issue,
8 and I certainly respect that others have a
9 different view. But I think we do have to ask
10 ourselves if we don't have some sort of rules for
11 governing trade, then don't we risk having chaos
12 really govern our export and import policies?

13 MR. STOCKTON: Let me ask you this, in
14 Europe, do the European producers use hormones?

15 MR. GALVIN: Let me say this, they don't
16 legally. In fact, that's a big problem, and I
17 think we learned some of those lessons ourselves
18 with our own experiment with prohibition. In fact,
19 I recall I was in Brussels about three years ago
20 and an inspection veterinarian was actually shot
21 and killed on a farm in Brussels because he was

22 looking around for illegal hormone use. And I
23 think there's a general understanding that today
24 there's a terrible problem with illegal hormones
25 use in Europe. And not only do they use so-called

1 hormone cocktails, which are quite dangerous
2 hormones, but often times they inject those
3 hormones not with an implant in the ear, but
4 directly into the muscle tissue of the cattle so
5 they can't as easily be detected. So I think that
6 raises a whole other range of risks for consumers
7 in Europe, and I think that's unfortunate in terms
8 of their own welfare.

9 MR. STOCKTON: Well, I think you've answered
10 the question because if it is being used illegally
11 in manners not prescribed by the label, then the
12 European consumer definitely has a worry there.
13 Are they used always as the label directs in this
14 country?

15 MR. GALVIN: In this country? I think we
16 have very little problem in this country with
17 illegal hormone use. I think by and large, from
18 what I've seen, it's used responsibly and there's
19 no economic incentive for farmers to use more than
20 the prescribed amount because you don't get
21 additional gains and efficiencies.

22 MR. STOCKTON: I personally don't put
23 hormones in my calves for a variety of reasons,
24 including one where most of it seemed to be wasted
25 money. But certainly they do in the feedlots, and

1 I don't know who is going out there and checking
2 and inspecting in the feedlots or in the packing
3 plants because we definitely have virtually no
4 inspection in packing plants these days.

5 MR. GALVIN: The USDA do the checking in the
6 packing plants to --

7 MR. STOCKTON: It's called passive, and
8 passive means let the companies do whatever they
9 want to.

10 MR. GALVIN: I don't think it quite means
11 that.

12 MR. SCHROEDER: I just want to say one word
13 as a sometime lawyer. Largely due to our
14 insistence, there's no power. The WTO cannot do
15 one thing to change the laws of the United States
16 of America or the State of Montana. What we have
17 is a treaty, and as Tim said, a set of rules. And
18 if somebody doesn't obey the rules and we have this
19 dispute settlement ability, as with bananas, as
20 with hormones, if you don't play by the rules, then
21 you have several choices. One is to change

22 whatever you've been doing and come into compliance
23 with the rules, change your law, change your
24 regulation, whatever you want to do. But you can't
25 be forced to do that.

1 We're talking about sovereign
2 governments here. So what happens if you don't do
3 that? Then there's two choices, the country that
4 is the loser can say, "Nope, we're not going to do
5 anything different, but, okay, we will pay you."
6 In other words, we lost the case, we'll pay. If
7 they don't do that, then the winner has the final
8 choice which is to say, "Okay, we're going to do
9 something because you've lost. You haven't changed
10 your laws and rules, and you won't pay us. So
11 we're going to do something." And that's where we
12 are with bananas and hormones. We're finally going
13 to do something, we're going to retaliate.

14 And what can we do? We can increase
15 tariffs on other products or something as we are
16 going to do. But nothing can force the government
17 of the United States or of France to change its law
18 if it doesn't want to.

19 MR. STOCKTON: But you are certainly willing
20 to make it uncomfortable for them. And we could
21 turn the argument around, what if it was the

22 citizens of Montana to create that in the market,
23 we do not want hormone-implanted beef, and Canada
24 came down here and said, "On behalf of the
25 pharmaceuticals companies in Canada, we say that

1 you will use hormones in this country?" You know,
2 I've got to say over the years, I've made a little
3 bit of a transition, I'm an illustrious graduate of
4 this institution, I have a degree in Animal
5 Nutrition, and I had at those days a lot of
6 confidence in the scientific process. But since
7 then, the scientific process has become corrupted,
8 our agricultural scientists are basically working
9 for Monsanto, Novartis, Roche, et cetera. I don't
10 know that we are getting the true scientific
11 results on things like hormones, genetically.

12 MR. SCHROEDER: Scientists work for the Food
13 and Drug Administration and the Environmental
14 Protection Agency and the United States Department
15 of Agriculture, as well as, the international
16 bodies located in Vienna and Rome. As far as I
17 know, they are only on one payroll, and that is of
18 an international or national organization. And
19 those bodies consistently six or seven times held
20 that there is no evidence that these hormones -- by
21 the way, six hormones, three are already in the

22 cow, three are artificial -- I don't want to get

23 into that. The point is, we have to rely on

24 somebody.

25 MR. STOCKTON: We have to rely on somebody,

1 and we usually rely on our government. But at this
2 point, when we look at the issue of bananas, which
3 you brought up, was our government bought and paid
4 for to take up that issue? Because I certainly
5 don't raise bananas, I did see a banana plant once
6 in New Orleans. And the issue from the European
7 point of view is their banana quotas go to former
8 colonies, which they develop aid to.

9 MR. SCHROEDER: No problem, no problem.
10 Ambassador Barshefsky, and I've heard her say it in
11 front of Latin American groups, the issue in the
12 banana case was never the low-made convention
13 special relationship and system that was put into
14 place to help those countries. We do that with the
15 Caribbean Basin Initiative and the GSP Program.
16 The issue was the licensing system in Europe, that
17 was the issue, and an international body made up
18 of a Mexican, a Ty, held it was illegal. And
19 Ecuador were on our side --

20 MR. STOCKTON: Why was it so important for
21 the United States?

22 MR. SCHROEDER: Because it was a licensing
23 system which was in the banana case, but it was a
24 threat to any product in Europe.

25 MR. STOCKTON: And Mr. Donald of R-CALF and

1 McDonald there asked you why didn't you take up the
2 cause of the imports of cattle into this country?
3 Why was that considered unimportant? I mean, we're
4 just mere citizens of this country.

5 MR. NELSON: I think I'm going to get in this
6 because we've got a lot of other folks who want to
7 speak. And, Gilles, I think I'll let that be the
8 last word, for now, until Lloyd talks. So thank
9 you very much. Lloyd DeBruycker, who is the owner
10 of DeBruycker Charolais, followed by Tom Camerlo,
11 who is president of the National Milk Producers.

12 MR. DeBRUYCKER: I'd like to thank Ralph Peck
13 and the rest of his crew for inviting me and giving
14 me an opportunity to attend the session. I'm Lloyd
15 DeBruycker, I'm from Dutton Montana, it's about 200
16 mile north of here, it's 30 miles north of
17 Great Falls. My wife, Jane, and I have farmed and
18 ranched in Teton County for 44 years. I'm 65 years
19 old, just six years older than the average American
20 farmer. We have two sons and their wives in
21 agriculture in Teton County. Three daughters and

22 husbands and their families in agriculture in Teton
23 and adjoining counties. We have two daughters who
24 make a living in teaching with a small interest in
25 agriculture. We have many neighbors and close

1 friends that are dependent on US Agriculture. So
2 you can understand my concern for agriculture's
3 future in the United States.

4 We have enjoyed being in agriculture,
5 and we were reasonably successful for about 38
6 years. But these last five to seven years have
7 really been frustrating. We used to have highs and
8 lows, if you hung in there, you could count on the
9 good years coming. Lately, we just get the lows
10 and the highs never come. NAFTA and free trade are
11 part of this problem. Free trade needs to be fair
12 trade. US Agriculture cannot compete if input
13 costs are not equal. At present, these costs are
14 way out of balance. Chemicals for crop production
15 are twice as high in the United States as they are
16 in Canada, our neighboring country. This spring I
17 paid \$21.60 cents an acre for the same chemical I
18 could have bought in Canada for \$11.50 an acre.
19 Yet, I could not legally bring this chemical out of
20 Canada even though we live just 80 miles from the
21 Canada border. Free trade must mean fair trade.

22 Ivomec, a product used widely in the
23 livestock industry to control worms and lice, it's
24 twice as high in the US as it is in Canada. Again,
25 just 80 miles from us, but we cannot bring it

1 across the border. Free trade must be fair trade.

2 Canada has no property tax on cattle, we
3 do. Canada has no property tax on farm, ranch, or
4 feedlot buildings and equipment, we do. Free trade
5 must be fair trade.

6 Produce from crops treated with
7 chemicals not proven in the US can come into the
8 US, this should not be aloud. Argentina and Brazil
9 right now are trying to get approval to ship beef
10 to the United States. All costs there are less
11 than 10 percent of our costs, labor is a dollar and
12 a half a day, ours is worth \$50 a day. Their
13 management-type ranch worker can be hired for \$300
14 per month. Here that would cost about \$2,000 a
15 month. Free trade must be fair trade.

16 Balance of trade reports show beef
17 exports in dollars as being positive over beef
18 imports in dollars, and that is correct. However,
19 beef cattle imports in pounds exceed beef cattle
20 imports and exports by about 2 to 1. Livestock
21 producers sell their production by the pound and

- 22 get paid by the pound. Pounds of imports of
- 23 livestock agriculture should not exceed the pounds
- 24 of exports when that industry is struggling to
- 25 survive. Free trade must be fair trade.

1 Our regulations and laws make us pay
2 minimum wage, insurance, retirement benefits. Some
3 of our competition do not have these costs. Free
4 trade must be fair trade.

5 To keep our US strong and safe, we need
6 a stable, profitable agriculture. To do this, our
7 input costs need to be competitive or agriculture
8 in the US will not survive. Over 100 years ago
9 William McBride said, "Burn down your cities and
10 leave our farms and your cities will spring up as
11 if by magic. But destroy our farms and grass will
12 grow in the streets of every city in the country."
13 Ladies and Gentlemen, that still holds true today.

14 Please consider points I and other ag
15 producers brought up. Unless our input costs are
16 equal or our income justifies our higher cost of
17 production, agriculture in the US will not survive.
18 In many cases, our input costs are controlled by
19 our government, by our government regulations. So
20 why should we be penalized for this by making us
21 compete with production that does not have the same

22 regulations? Free trade must be fair trade. Thank

23 you.

24 MR. NELSON: Thank you, Lloyd. Panel?

25 MR. GALVIN: I do think your point about

1 other costs like family living costs and expenses
2 is an interesting one, and one that I've given some
3 thought to myself. And I think that it is related
4 to trade and ability to compete, and I think the
5 health care area is a particular good example. I
6 certainly hear reports of more and more farm
7 families dropping their health coverage. And if
8 you assume that a good family policy today costs
9 about \$6,000 or so in the US, and if a Canadian
10 farm family can get that same policy for about \$600
11 or \$800, and if it's essentially free to farmers in
12 Europe, there may be other problems with their
13 perspective health care programs and it may mean
14 that there's higher income taxes when they have
15 income, but I think it does raise an interesting
16 point in terms of people's ability to compete and
17 stay on the farm.

18 And it would certainly be interesting if
19 you or anybody in the state has any figures on
20 percent of families that have health care coverage
21 and that sort of thing.

22 MR. DeBRUYCKER: As far as our comparison
23 between Canada and the US, we're closer. But when
24 we start looking at South America, that really
25 scares me in livestock agriculture because we

1 cannot compete with them. When that meat starts
2 coming in from Argentina and Brazil, and it's not
3 long before it will start coming in unless we have
4 some import regulations for quantities that are
5 allowed to come in, it's going to kill the
6 livestock industry.

7 MR. NELSON: Panel, any other questions or
8 comments? Lloyd, thank you very much. Next will
9 be Tom Camerlo, President of the National Milk
10 Producer. Followed by Chase Hibbard, President of
11 the Montana Wool Growers Association.

12 MR. CAMERLO: Good afternoon. I am
13 Tom Camerlo, I am a dairy farmer from southern
14 Colorado. It's not too far from here, but
15 yesterday it took me 20 hours to fly Delta up here,
16 so it must be quite a ways further than I thought.

17 I am the Vice President of a newly
18 formed cooperative Dairy Farmers of America, who
19 markets milk for 23,000 dairy farmers in this
20 country in 44 states, including the five states
21 that are represented here, and we market the

22 majority of the farmers' milk in that area. The
23 reason we put this cooperative together is so we
24 can compete with emerging America superstructures
25 like the Kroegers and the Safeways of the world and

1 we can market our product through them. In other
2 capacities, I am the president of the National Milk
3 Producers Federation in Washington and Chairman of
4 the US Dairy Export Council Trade Policy Committee.

5 And I want to thank the director and
6 all of you for allowing me to be here today. It's
7 really been an interesting meeting and I hope you
8 can take a lot from this meeting. Particularly,
9 thanks to the Department for being such wonderful
10 hosts, they gave me a lot of information, they even
11 worried about me when I didn't get here.

12 Let me start by underlining the
13 importance of the US dairy industry in this
14 country. Dairy is the second largest agriculture
15 commodity sector in the United States, and it
16 generates a farm income of \$20 billion a year and a
17 retail expenditure of about \$70 billion a year.

18 Despite its domestic size, the industry is
19 relatively a newcomer to international trade. Yet
20 our export share has been growing in recent years.
21 One of our primary reasons for US dairies' slow and

22 difficult emergence internationally has been the
23 fact that dairy is one of the world's most
24 protected and subsidized industries. No one
25 disagrees with the achievements of the

1 Uruguay Round. Nevertheless, the Uruguay Round
2 ultimately amounts to just a starting point in a
3 long process for agriculture trade liberalization,
4 especially in dairy.

5 For the upcoming round, our greatest
6 fear is that the US Government will give up
7 additional concessions to our market while leaving
8 other countries' trade barriers in place or
9 effectively allow them to erect new barriers.

10 This, of course, would be absolutely unacceptable
11 to the dairy farmers of the America. We are aware
12 that the US dairy industry has much to gain from
13 successful negotiations, but I can't stress enough
14 to this Administration that dairy farmers will lose
15 future growth, growth capacity, if an incomplete or
16 poorly balanced agreement results. You must know
17 the details.

18 I would like to briefly go over some of
19 our most important issues and recommendations for
20 the upcoming negotiations.

21 First, scope and time in the

22 negotiations. I never thought I'd be here this
23 afternoon and start my recommendations expressing
24 my extreme concern about USDR's plans to support a
25 round of negotiations that would accommodate early

1 agreements in other sectors. I understand that
2 some action has been taken by USDR, but it is not
3 enough. We urge you to publicly oppose the concept
4 of "early harvest."

5 Second, we would like to see all of
6 dairy export subsidies, all dairy export subsidies
7 eliminated in no more than five years starting no
8 later than 2002. The elimination of export
9 subsidies is the first and utmost priority for
10 dairy farmers in America. In the absence of
11 significant progress in eliminating all export
12 subsidies, US dairy farmers would not be able to
13 support negotiations on market access, domestic
14 support, or any other sector.

15 Third, the US should focus on leveling
16 the playing field and forcing the access obtained
17 during the Uruguay Round. To this end, the US
18 should work to reduce ordinary peak tariffs and
19 cap over-quota tariffs. Dairy farmers do not
20 support expanding the minimum access beyond the
21 Uruguay Round concessions. We cannot have a

22 situation in which the US over-quota tariff at 60
23 to 90 percent, depending on the product, is
24 permitting imports above the quota while Canada,
25 Japan, EU, Korea, among other countries, keep

1 over-quota tariffs on these items at 300 percent or
2 more.

3 In the Uruguay Round, the US gave "real
4 and clean" access to its market. Unfortunately,
5 exporting to other countries with tariff rate
6 quotas or even under ordinary tariffs has been
7 difficult or simply infeasible due to the
8 administration of the TRQs or other non-tariff
9 measures.

10 Given this situation, dairy farmers
11 believe that over-quota tariffs on dairy products
12 subject to TRQs must be harmonized through
13 immediate reduction in some maximum bound level
14 rather than increasing minimum market access that
15 would only give greater access to US dairy markets
16 while maintaining limited access in other markets.

17 Four, seek greater discipline on
18 domestic supports while ensuring the EU supports do
19 not exceed the United States. We support the US
20 Government's position to tighten the rules on
21 domestic support to ensure that such programs do

22 not encourage excess production that distorts
23 trade. However, we strongly believe that
24 disarmament cannot be unilateral and we cannot
25 afford to leave dairy farmers at the mercy of the

1 European government outlays.

2 And fifth, dispute settlement and
3 circumvention. We would also caution the
4 Administration about circumvention of WTO
5 commitments is a problem. Agriculture, and
6 particularly my industry, cannot afford time nor
7 the resources to bring other countries into
8 compliance. You are to be complemented for using
9 the private sector in helping settle these
10 problems. That's new, that's good. Keep it up, do
11 more of it.

12 Finally, let me reiterate that the US
13 dairy farmers are prepared to do their part to
14 accomplish further trade liberalization in world
15 dairy trade. However, the dairy industry is
16 adamant what about what our priorities should be.
17 First and foremost, support the single undertaking
18 framework; second, eliminate export subsidies,
19 zero; third, subsequent to a successful agreement
20 on zero export subsidies, we would engage in
21 negotiations on market access that level the

22 playing field and enforce the previous agreements;

23 and fourth, bring EU domestic supports under

24 control. Thank you.

25 MR. NELSON: Thank you, Tom. Panel?

1 MS. LAURITSEN: I have a question. If we
2 look at achieving the things that you have
3 outlined, single undertaking elimination of export
4 subsidies and then moving into the market access
5 and domestic support, and then you made reference
6 to other regulations and how other countries might
7 try to circumvent maybe those kinds of commitments,
8 I guess I wanted to find out from you what other
9 types of border measures do we need to keep an eye
10 out for in the case of the dairy industry?

11 MR. CAMERLO: There are several. Let me give
12 you an example of one that we ran across in the
13 Uruguay Round, and I think the USDA is aware of
14 this also. When we were in attendance at the
15 Uruguay Round, at the end of it when everything was
16 being put together, we had an opportunity to get
17 some cheese exports to Europe, which is almost
18 impossible with their tariffs and their licensing
19 and everything they do. But we had an opportunity
20 to get some mozzarella cheese because in this
21 country we have the largest mozzarella maker in the

22 world headquartered in Denver. He has a process
23 that puts the cheese out for pizza cheese
24 specifically and it's different than anything else.
25 So we got the specifications of that, we

1 had an agreement of an open window of 5,000 tons,
2 which isn't much, to the European Union for this
3 product, and we were the only one making it, we've
4 got the patent on it. Got the deal closed, and as
5 of today, we've exported 420 tons and that was in
6 the first few months of the agreement. The reason
7 was, first, we run into customs; they didn't check
8 that mozzarella was mozzarella and whatever came in
9 came in. The second thing we ran into was the
10 license. After we spent time, USDR's time, and
11 yours, and USDA's time really working on the
12 licensing, and then customs seemed to find out we
13 had a licensing problem. It was almost impossible
14 for us to export this product by market. And the
15 company that put this all together who I was
16 working with said it isn't worth it, it just isn't
17 worth the trouble.

18 So I think when you get the tariffs
19 worked out, that isn't the only deal. We've got to
20 look at the licensing. How the countries take a
21 look at the product and define the product. It's a

22 real problem.

23 MR. NELSON: Panel, any other questions or
24 comments for Tom? Thanks, Tom. Chase Hibbard,
25 representing the Montana Wool Growers Association.

1 And then Dale Flikkema will speak on behalf of the
2 Montana Mint Growers Association. Chase is also a
3 state representative from Helena.

4 MR. HIBBARD: Thank you, Bruce, good to see
5 you. Bruce, Ralph, distinguished members of the
6 Panel, I appreciate the opportunity to speak with
7 you this afternoon. For the record, I am
8 Chase Hibbard, I am a sheep and cattle rancher from
9 Helena. I am President of the Montana Wool Growers
10 and I'm also appearing here today as a board member
11 of the American Sheep Industry Association.

12 At the outset, I must set the record
13 straight, however. A representative from the
14 Montana Stockgrowers testified that it was oldest
15 ag organization in Montana this morning. In
16 reality, it was formed in 1884, and the Montana
17 Wool Growers was formed in 1883. So I'm glad to
18 get that taken care of.

19 In the sheep business, we produce two
20 primary products wool and lamb. Wool prices are
21 currently at five-year lows, with half the nation's

22 clip unsold. Stock piles in countries around the
23 world and the Asian financial crisis are primarily
24 to blame. In addition, the US pelt market
25 collapsed this summer when Russia buying pelts.

1 Just yesterday I was told that Wellman, a leading
2 wool top manufacturer is getting out of the
3 business. And I also heard that Pendleton is
4 declaring bankruptcy. Our domestic infrastructure
5 is dwindling.

6 The lamb situation is not much better.
7 From August of '97 to June of '98, the US wholesale
8 carcass for lamb dropped 30 cents from \$1.81 to
9 \$1.50 a pound. During this year's Easter Passover,
10 when the lamb market prices and volume generally
11 peak, the carcass markets fell further to \$1.35.
12 Slaughter lambs sold 50 to 60 cents per pound live
13 weight, compared to the \$1.00 received a year
14 previous.

15 Imports of lamb from Australia and
16 New Zealand have flooded the US market and also
17 contributed to excess lamb supply. In fact, in
18 1998, the US Department of Agriculture announced an
19 \$8 million purchase of lamb to bolster producer
20 prices due to increased imports. Imported lamb on
21 a volume basis has increased from just over

22 7 percent of total supply in 1993 to 20 percent in
23 1997. In 1998, the increase continues with import
24 levels of 30 percent over '97. The Department of
25 Agriculture figures show that trend continuing with

1 lamb imports for the first four months of 1999, 10
2 percent above the same period in '98, and 30
3 percent above the first quarter of '97.

4 This increase in lamb imports is
5 accentuated by the strength of the US dollar, which
6 has made imports from Australia and New Zealand
7 much less expensive today than a year ago.
8 Similarly, a currency crisis in Asia makes the US
9 more attractive as a lamb export destination. In
10 addition, the US market has become the relief valve
11 for excess lamb for major producing countries. Not
12 only are producers in the US concerned, but
13 Australian industry publications are also concerned
14 about New Zealand flooding lamb markets around the
15 world. We have no safe guards against import
16 surges to keep the domestic market from being
17 decimated as those countries seek outlets for
18 excess lamb.

19 The European Union shields its domestic
20 sheep industry by maintaining absolute quotas on
21 lamb imports, plus subsidizes their sheep producers

22 in excess of \$2 billion annually. The domestic
23 industry filed a Section 201 petition with the
24 International Trade Commission last September.
25 We've heard a lot of doom and gloom here

1 today, and I guess I've given you a little bit in
2 the sheep and wool industry so far, but this is a
3 real bright spot for our industry. It was approved
4 by the President July 7th, 1999, and I think was
5 just implemented a few days ago. Under this
6 program, tariffs will be placed upon all lamb
7 imported into the domestic market from Australia
8 and New Zealand. The tariff is modest on the first
9 78 million pounds per year, which is an historical
10 level, then it jumps to 40 percent at over that
11 level of 78 million pounds a year. The quota
12 increases in years two and three, and the tariff
13 decreases. It also includes \$100 million in
14 assistance to the domestic industry over this
15 three-year period. This is a wonderful thing for
16 our industry.

17 However, problems with the European
18 Union continue to persist. The EU's absolute
19 quotas on lamb imports and production subsidies
20 continue to give our European trading partners a
21 distinct advantage. The American Sheep Industry

- 22 Association has policy that requests the US
- 23 Government to address this unfair trade situation
- 24 for sheep producers due to these production
- 25 subsidies and import quotas maintained in the

1 European Union. The 201 Action will help us very
2 much for the next three years. But this problem
3 will continue when those three years are over.

4 Another issue is Country of Origin
5 Labeling. Future trade agreements should not
6 restrict labeling as an appropriate manner for
7 imported meat. The American Sheep Industry policy
8 supports positive identification of imported meat
9 at retail. The debate over a labeling requirement
10 in the US Congress this year clarified that it
11 would not violate trade agreements. I appreciate
12 your time and your attention, thank you.

13 MR. NELSON: Thank you, Chase. Panel?

14 MR. GALVIN: We've heard a lot today about
15 the need to get rid of export subsidies in the next
16 round. And I believe we've already said from USDA
17 and USDR that that remains a top objective for us
18 as we head to Seattle. But if you assume that
19 we're successful in doing that, in getting rid of
20 export subsidies, and thereby forcing a change in
21 terms of European policy, how successful do you see

22 the domestic industry here over the next three
23 years, especially with this transition assistance
24 that was provided in the package announced by the
25 President, I think some of the money is supposed to

1 go for improved genetics, more of a meat-type lamb
2 rather than wool, and I would like to get your
3 quick assessment as to how far you think the
4 industry can come over the next three years to
5 where given that period here, that you're going to
6 be able to compete if things are fair out there.

7 MR. HIBBARD: Thank you for the question, and
8 we appreciate you examining the export subsidy
9 issue. That's a very good question. I think we're
10 handed a real good opportunity here with three
11 years and a \$100 million to help improve our
12 situation.

13 We have a number of things underway in
14 the industry that have been underway for some time.
15 And I think we'll get a real shot in the arm with
16 this infusion of capital and a date certain out
17 there when it's due to end. I also understand that
18 there's an 18-month review of this 201, and if
19 significant progress has not been made, it's
20 possible that it may not go for a full three years.
21 So we're under the gun to do something.

22 You've hit on a few, there's about nine
23 general areas that I think can be focused. One is
24 genetic improvements, there's huge opportunity to
25 make genetic improvements and there's a lot of

1 programs that have already begun that can be
2 bolstered, that can be more focused to those areas
3 to the benefit of the industry.

4 The use of new technologies and
5 production processes. The encouragement of the
6 formulation of industry alliances, which will lead
7 to better market information, more timely
8 marketing, and better marketing of our product.

9 Development of reproductive and
10 therapeutic drugs. We're way behind many of our
11 neighbors in this area.

12 Enhanced disease control, better food
13 safety, increased control of predators, use of
14 sheep for ecological maintenance. There's a huge
15 market opening up for suppression of undergrowth or
16 grazing under power lines or weed control, all
17 sorts of new opportunities that we haven't really
18 traditionally looked at. And there's also
19 opportunities for better market reporting.

20 So I think there's lots of areas where
21 we can focus on how successful we will be. We're

22 under the gun, we realize we've got to do something

23 or our industry is on the way out. So we're going

24 to give it our best shot.

25 MR. NELSON: Any other questions or comments,

1 Panel? Chase, thanks very much. Dale Flikkema,
2 representing the Montana Mint Growers Association,
3 followed by Alfred Schmitt.

4 MR. FLIKKEMA: I want to take this
5 opportunity to thank you for the ability to speak
6 here. My name is Dale Flikkema, and I'm from
7 Bozeman, Montana. And I'm on a family farm, and we
8 have just recently started growing peppermint on
9 our farm, and we have seen a big downturn in the
10 mint markets. I guess, I'll read this to you.

11 Mint has been grown in the US for over
12 100 years. It is a specialized crop requiring a
13 capital investment of a steam process on the farm
14 to extract oil from the mint plants. There are
15 only a few growers in the country as far as an
16 overall perspective of other ag industries. The US
17 is the world leading producer of mint oil with an
18 average probably right around 10 million pounds.
19 About 8 million pounds of peppermint and about
20 2 million pounds of spearmint.

21 Mint is an essential flavoring

22 ingredient with about 95 percent of its usage in
23 oral care products; candy, gum, and also
24 toothpaste. A small amount of mint goes a long
25 way. For example, about 100 pounds of mint oil,

1 which is about the same significant amount that is
2 grown on one acre, will approximately flavor
3 1,250,000 sticks of gum or 100,000 tubes of
4 toothpaste.

5 The bank for mint is extremely elastic.
6 Small oversupply situations create significant
7 pricing reductions, and even the threat of a
8 shortage can cause notable price increases. India,
9 China, and Canada account for the most remaining
10 world production of spearmint oil. China produces
11 approximately 440,000 pounds per year. India is
12 about 640,000 pounds a year. And Canada is 250,000
13 pounds per year. US spearmint growers are one of
14 the most efficient growers in the world, and we
15 would welcome competition in the field, if it were
16 leveled. It is not.

17 As China continues to try to meet World
18 Trade Organization terms, the time is right to seek
19 fairness in trade policies. India has been
20 aggressively seeking export markets for agriculture
21 products for the past half dozen years. The timing

22 is good for them also. The discussion to follow
23 addresses three areas where at least two countries
24 have significant competitive advantages.
25 First, labor. The average daily wage on

1 a mint farm in China or India is about \$2 a day. A
2 large segment of peasant farmers supply this labor
3 and are a significant factor in our difficulty to
4 compete. They often live a somewhat weary life of
5 labor and conditions of despair for themselves and
6 their families. This great disparity between their
7 standards and ours needs to be addressed.

8 Eternal support to China. Historic
9 policies have given Chinese spearmint producers an
10 unfair advantage. While state-owned enterprises
11 are reportedly being phased out, under this system,
12 a glut of spearmint oil was produced. This
13 production occurred in the nineties, and was
14 exported to what may be considered dumping levels.
15 During the period from 1994 to 1996, annual imports
16 to the US from China averaged 500,000 pounds a
17 year, an outstanding figure for an industry that
18 annually uses just over 2 million pounds. Most of
19 this oil was priced at less than \$4 a pound. US
20 production costs are approximately \$10 a pound.
21 Even with low labor markets, such levels would not

22 have been attained without government policies that
23 ignored market considerations in setting prices.
24 Inventories from this period continue to depress
25 our markets.

1 International supports in India. The
2 farm sector in India is the recipient of several
3 benefits including: One, support prices for grain,
4 cereal, and oil seeds. These prices are fixed each
5 season and affect premarket prices for other crops,
6 including spearmint, which requires the above named
7 crops for rotation. Two, subsidized planting
8 materials, including fertilizer and fuel. Three,
9 surface irrigation subsidies, farm equipment loans
10 are also subsidized. All agricultural income is
11 tax free. Export income is tax free. Farm credit
12 for land improvements is subsidized.

13 Chinese tariffs. The oil imports into
14 the US from China and India is duty free. Such is
15 not the case for our oil going to China. Current
16 duties are about 25 percent plus a 17 percent value
17 added tax, a total of 42 percent. While the value
18 added is perhaps difficult to address in these
19 negotiations, the 25 percent duty should be
20 addressed. Makers and users, such as Colgate and
21 Wrigley, have established production facilities in

22 China, and for the most part, would like to use US
23 higher grade and quality oils to ensure constant
24 flavor to their products. Duties at these levels
25 greatly hinder this possibility.

1 India tariffs. During the period of
2 1995 and '97, India exports of spearmint oil
3 increased about 120 percent, from about 80,000
4 pounds in '95 to about 170,000 pounds in 1997. The
5 United States was the main export market, receiving
6 about 55 percent of India's total exports. At the
7 same time, India's imports of spearmint oil had
8 been declining, going from about 70,000 pounds in
9 1995 to less than 30,000 pounds in recent years.
10 77 percent of India's spearmint imports come from
11 China, and the US accounting for a minuscule amount
12 of about 1,000 pounds. The import duty on
13 spearmint oil in India is about 40 percent with an
14 additional 5 percent tax, a total of 45 percent.
15 Again, the playing field is not level.

16 These factors, combined with the peasant
17 labor force, make it impossible for the US mint
18 producer to compete. Even with superior efficiency
19 and quality, there are too many cards stacked
20 against us.

21 Mexico does not have a domestic

22 spearmint industry and yet they currently post a 42
23 percent tariff on our oil. This, of course,
24 significantly increases the incentive for Mexican
25 spearmint users to use cheaper oil from China and

1 India to fill their needs. Because Mexico is one
2 of our major export markets, this desperately needs
3 to be addressed.

4 The difference in labor between
5 developing countries and developed countries must
6 be addressed. We will do their labor force a favor
7 if we establish policies that will motivate their
8 government to raise their labor standards rather
9 than let current policies remain, which seem to
10 encourage a continuation of apparent exploitation
11 of their labor force. This, it seems to us, is
12 important, not only from an economic standpoint but
13 also from a standpoint of human decency.

14 Internal support programs must be
15 addressed. Spearmint oil has never received a
16 subsidy or support payments here in the US, and we
17 are not seeking one now, we are seeking fairness.
18 Either competing countries must reduce their
19 subsidies to their mint farmers or we must have to
20 resort to some sort of government help here in
21 order to compete. We prefer the first option and

22 would welcome the opportunity to compete on a level

23 playing field.

24 I want to take this time again to thank

25 you for listening to me today. I would be happy to

1 answer any of your questions.

2 MR. GALVIN: I think you just made a very
3 strong case for having both China and India as
4 members of the WTO because until they become
5 members, there's really little we can do to impose
6 disciplines on their domestic subsidies and their
7 exports and that sort of thing. So I think you
8 outlined the case very well.

9 MR. FLIKKEMA: If they don't become a part of
10 the world trade, would we be able to put those
11 tariffs on their products coming in here?

12 MR. GALVIN: There's some action we can take,
13 but it's a lot tougher to -- I mean, you can't take
14 them to the WTO, for example, you can't take them
15 to the dispute resolution process.

16 MS. LAURITSEN: I would just like to clarify
17 India is a member of the WTO, and we are hopeful
18 China will become one before Seattle. I just
19 wanted to add a comment that come up a little bit
20 in some of the testimony concerning labor, and it
21 is one of our objectives. The President has made

22 it clear from the top that we will address labor
23 standards around the world as part of the WTO
24 negotiations as well as other countries'
25 environment laws.

1 MR. NELSON: Panel, any other? Dale, thank
2 you. Alfred Schmitt from the Grass Roots Ag
3 Coalition. Just real quick here, I know you've got
4 written statements, but if they're going to exceed
5 five minutes, please try to summarize it and keep
6 it between the time allowed so that all of the
7 other folks who want to visit with us today have an
8 opportunity to do so. With that, Alfred Schmitt.

9 MR. SCHMITT: I'm just going to skip most of
10 the trade because you covered it today already. I
11 just wanted to take the 8th line down where it says
12 the current problem with agriculture grain prices
13 is that free enterprise is being circumvented by
14 trade policies between countries and bargaining
15 power between the farmer and grain buyer. For
16 these reasons, the price of raw materials should be
17 regulated at a level consistent with the economy
18 that is consuming them while maintaining free
19 enterprise on our farms. We aren't saying enough
20 about big corporations like Cargill, et cetera,
21 et cetera, there's only a handful left.

22 Let's go to that picture now. Anyway,
23 if you look at the bottom, we're the peed on peons
24 down there at the bottom, farmer/producers. And as
25 soon as our production crosses that dotted line,

1 we've lost complete control of that. There's no
2 control by us anymore, we have no say so in price
3 or anything. They discount us, they do everything.
4 It hits the grain elevator, he doesn't have a lot
5 to say about it, but when it hits above that, my
6 production goes right. It goes to the grain
7 company exporter, foreign process, et cetera, to
8 the foreign wholesaler/distributor. Those people
9 on the right side are determining what I get paid
10 on the left side on the bottom and that is not
11 right.

12 We met with the Secretary of Agriculture
13 two months ago in Washington, we pointed this stuff
14 out, he was impressed with the ideas we have here.
15 I'm going to skip all that trade stuff, and just
16 leave this picture here for a minute. Us
17 farmers/producers, we take all the risk, nobody
18 takes risk like us. And we have to take all the
19 crap that they dish out to us up there. We have no
20 say so at all for determining the price for our
21 commodity, that is absolutely not right. I think

22 it is totally unfair that us producers are not on

23 this negotiating team out there doing the

24 negotiations.

25 Another point I want to make, just

1 several years ago, there was news in some of the
2 magazines that by the year 2000, all negotiations
3 of sales of grain will be done by the grain
4 companies, themselves, by the year 2000 -- I should
5 say 80 percent will be. That means that Cargill
6 will be selling to Cargill and wherever, to Cargill
7 there, to Cargill there, to Cargill there. There
8 is no competition left anymore. I don't know how
9 this fits in with your trade talks or how that's
10 going to happen, but we are totally left out of
11 that picture. And we are the most important people
12 in this picture and we're being left out.

13 Now, I want to go to the next one, which
14 is the plan that we introduced quite a while ago
15 and we rewrote it last week. I'll give you copies
16 of all this stuff. I don't know if it's going to
17 fit on here, federal budget, USDA. Okay, I'm going
18 to read it.

19 We got a three-point plan, and this plan
20 can be a sample of what other countries could use,
21 it's a domestic policy only. And if we would do

22 something like that here, other countries could
23 follow suit and do the same thing. The established
24 price index, the Freedom to Farm Act retains the 49
25 permanent law. And that's the most important thing

1 about the Freedom to Farm Act is that permanent
2 law, which is the parity formula, which we --
3 people don't like the word "parity" so we call it
4 the "Established Price Index." It's been there for
5 a hundred years or whatever, and it is an accurate
6 calculated balance between agriculture and other
7 industry. So that EPI will be the basis for
8 setting the minimum prices to be paid out of the
9 federal budget.

10 Our original plan called for the
11 processors to pay this bill, but since they're too
12 powerful, we're going to forget it. Uncle Sam is
13 giving us money now, let's run this thing through
14 the general fund. This plan is only in effect when
15 there needs to be a correction between the average
16 market price and the current established price
17 index. That price index would put wheat today at
18 \$9.60 some cents a bushel. We're saying we don't
19 probably need that, let's go with 60 percent. We
20 informed the Secretary of Agriculture about this,
21 let's use that as a basis, it's pretty accurate,

22 let's go with that.

23 When a correction is needed, all the

24 grain purchases for domestic usage exclusively will

25 be recorded with USDA at the end of the year. The

1 grain companies that use grain here that we use
2 here in our country will be recorded, just the
3 bushels amount or whatever. USDA allocates funds
4 for that, that goes into the Commodity Credit
5 Corporation. Now we figured out a way we can get
6 it back.

7 Imported grain can be treated the same.
8 Once it's bought and paid for here, it should be
9 considered domestic and follow the same -- it won't
10 hurt the grain companies at all, it shouldn't make
11 no difference. Since Uncle Sam is paying us all
12 this emergency funding all the time now the last
13 couple of years and they're going to give us a
14 bunch this year, why don't we go with a business
15 plan? This is what we call the business. Let's go
16 to the next one.

17 The farmer/producer gets it back, we
18 figured out a way you can do it. The farm can
19 remain in effect, this can be just added on, do the
20 same process he's going through now and just keep
21 going with that. Let's go to the last one.

22 We got it figured out so the USDA and
23 FSA can handle it properly, just get paid out of
24 the CCC account only when we market grain as
25 farmers. Don't need anything else, we'll get paid

1 just for what we use in our country and that's
2 about half, roughly. Why can't this be a guide for
3 other countries to follow the same thing? It's a
4 domestic plan. That's all I got to say right now.

5 MR. NELSON: Thanks, Alfred. We want to make
6 sure that those slides get part of your stuff that
7 Alan gets here, too.

8 MR. SCHMITT: I've got copies of all this for
9 anybody that wants them.

10 MR. NELSON: Panel, questions or comments for
11 Alfred?

12 MR. SCHMITT: I just have one question. Why
13 are these grain companies like a hands-off policy?
14 We don't dare touch them, these big companies.

15 MR. GALVIN: That's not a matter that I can
16 really speak to here today. As you know, on the
17 Cargill purchase of ConAgra, that went before the
18 Justice Department, Secretary Glickman sent a
19 letter to the Justice Department urging that whole
20 purchase be closely examined. Other than that,
21 there's not much more I can say about it today.

22 Just to clarify, though, you said
23 earlier that the grain companies are part of the
24 negotiations or whatever and I just want to
25 reassure you that only government officials are

1 actually a part of the actual negotiations. We do
2 have advisory committees that help us, just like
3 these public hearings help us, in setting our
4 policy. But we have a number of individual
5 producers that serve on what we call our
6 Agricultural Policy Advisory Committee, as well as,
7 these agricultural advisory committees that we have
8 for a number of specific commodities like grains
9 and livestock and sweeteners and that sort of
10 thing. So we have plenty of direct input from
11 producers as we put together negotiating positions.

12 MR. SCHMITT: On trade imbalance, we've got a
13 20 billion dollar trade imbalance the last month
14 that was calculated out. This too much. We need
15 five things: Balance, equality, fairness, justice,
16 and private ownership. Those are five things that
17 have to be dealt with when we trade.

18 MR. GALVIN: That's one positive thing about
19 agriculture, I think, is that we still have that
20 positive net trade balance in the case of
21 agriculture. So that helps to compensate for the

22 very huge deficits in other sectors.

23 MR. NELSON: Thank you very much. I want to

24 recognize Senator Conrad Burns, who joined us a few

25 minutes ago. Thanks for coming out, Senator, we

1 appreciate it. And he will head up a panel that
2 will start after we take about a 15-minute break
3 here until 3:15. Following Senator Burns at that
4 time will be Robert Griffin, Chairman of the Grass
5 Roots Ag Coalition. So let's take a break.

6 (Whereupon, a short recess
7 in the was proceedings was
8 taken.)

9 MR. NELSON: We will get started again. I
10 will run through the panelists quickly. We have
11 Senator Conrad Burns, followed by Robert Griffin,
12 Chairman of the Grass Roots Ag Coalition;
13 John Mott, Montana producer; Ray Raihl, and, again,
14 I'm not sure about the pronunciation of that last
15 name, Executive Committee Montana Feed Association;
16 Jerry Sikorski, Chairman, Northern Plains Resource
17 Council and also representing the Southeastern
18 Montana Alliance; and this is a hard one,
19 Klaas Tuininga, and that one I'm really not sure of
20 either name on, so I might have goofed both of
21 those up, Representative of the Schiller Institute;

- 22 Greg Murphy, LaRouche Committee Representative;
- 23 Don Taylor will be speaking instead of Helen Waller
- 24 on behalf of the Campaign to Reclaim Rural America;
- 25 Jim Schwarzt, Deputy of Director of the Wyoming

1 Department of Agriculture; Dan Teigen representing
2 the North Dakota Resource Council; Diana Adamson,
3 The Montana Farmer; and Ray Gulick, who is a
4 producer from up at Joplin. So, Senator Burns,
5 thank you for joining us and take it away.

6 SENATOR BURNS: Thank you, Bruce. First of
7 all, let me express my appreciation for the panel
8 visiting Montana and listening to some folks out
9 here. And I think what you've heard today -- I can
10 imagine what you've heard, because it is the same
11 thing I've heard as I have traveled this whole
12 state.

13 Agriculture production level right now
14 is probably in its worst shape as it's been since
15 the Great Depression. We are actually selling our
16 product below, if you take everything into
17 consideration, and yet nothing is happening on the
18 other end. And I would agree with some of my
19 friends here that we haven't figured out a way to
20 get more of the consumer dollar back down to the
21 ranch, that's where it has to happen.

22 We talk about this great economy, and I
23 will tell you it is not on the land. It is not on
24 the land on any commodity, be it food production,
25 fiber, oil, mining, not one commodity is making

1 money. And that should concern each and every one
2 of us because we are a commodity producing state
3 and we are a commodity producing country. We have
4 put so many rules, regulations, stupid and ignorant
5 environmental laws, and things on a producer where
6 we cannot compete with other countries who have
7 none of those laws. And there is no way we're
8 going to put those kinds of rules and regulations
9 on our trading friends in foreign countries. We
10 are not going to get that done.

11 So what I want to say here today is
12 this: We are not very good at monitoring. No
13 matter what kind of agreement you come to as the
14 WTO or the GATT, we do not monitor very well, and
15 we enforce worse. We have governmental agencies
16 that will not talk to one another because they get
17 into these silly little turf battles, just like
18 Congress does, and we're just as bad on the hill as
19 you all are downtown, and that's our problem. And
20 when you go to the WTO, we want agriculture taken
21 care of first before you settle any other of the

22 intellectual properties, auto parts, and all this.

23 But we have got to have some kind of settlement

24 now.

25 We are dealing, how many negotiators

1 will understand the marketing system of our foreign
2 friends? And do those systems interoperate with
3 our own? Do we interoperate with Canada? No, we
4 don't. We don't even do it in the banking
5 situation, and we sure don't as far as grain and
6 livestock production is concerned. Have we
7 normalized labels on pesticides, herbicides, and
8 fungicides. Have we normalized grading on meats,
9 grains? Have we normalized the transparency that
10 should be in the market if it is a state-run
11 marketing agency? Those are all the questions that
12 you will have to ask, and let me tell you, I will
13 be in Seattle with you. We're making our plans
14 right now. But those are the questions, how well
15 do you know their other systems and how well do you
16 know our system? Because these systems have to
17 interoperate.

18 And I want to tell you, and I'll give
19 you a reason, there's a way to do it because I'll
20 tell you I was in Regina, Canada. You know, I
21 picked up the telephone and direct dialed my

22 office, went ch, ch, ch, ch, ch, nothing happened.
23 Because it didn't have to go through a bureaucrat.
24 When I put my credit card down there to pay for
25 that hotel bill, nothing happened. Because it

1 didn't have to go through a bureaucrat. Systems
2 have to interoperate. How well do you understand
3 theirs and how well do you understand ours? And
4 that's where the problem is.

5 So normalization of all those labels,
6 and these are going to be tough, tough, tough
7 negotiations. But that's the only place we can
8 compete with the rest of the world, that they have
9 to operate -- I refereed football for 20 years.
10 You know what makes it a success? We all operate
11 out of the same rule book. When I throw a flag on
12 a kid for holding, I don't care if that kid come
13 from a normal family, or no family, he was just
14 holding and he gets 15 yards. And it doesn't say
15 in the rule book any extenuating circumstances, it
16 says holding. And that's the way we've got to be
17 if we're going to be really good negotiators.

18 And thank you for coming. I'm sorry I
19 went a little beyond my time, but I get pretty
20 passionate about this. Thank you very much.

21 MR. NELSON: Senator, thank you very much.

- 22 Panel, any questions or comments from Senator
- 23 Burns? Again, thanks, Senator. Tomorrow, Senator
- 24 Burns will be holding a senate commerce committee
- 25 hearing on concentration of the agriculture

1 industry at the city hall in Great Falls at
2 10 o'clock. So I have to try not to spill anything
3 on my suit today because I have to wear it there
4 tomorrow at that hearing. Anyway, thanks very
5 much.

6 Next is Robert Griffin, who is Chairman
7 of the Grass Roots Ag Coalition. And Robert will
8 be followed by John Mott, who is a Montana
9 producer. So, Robert.

10 MR. GRIFFIN: My name is Robert Griffin, I
11 farm and ranch northwest of Chester, northeast of
12 Shelby, north of a little town called Galata up in
13 Sweet Grass Hills. In essence of time, I'll talk
14 real fast because I got a lot of things to say. I
15 would like to thank the US Trade Representative
16 Office and the US Department of Agriculture for
17 holding these listening sessions prior to the
18 upcoming WTO negotiations in Seattle. Basically,
19 I'm a grassroots ag producer in northern Montana.
20 While I'm not completely versed on the intricacies
21 or details of trade negotiations, I am very

22 knowledgeable about the end results of these trade
23 agreements on the grassroots ag producers. Every
24 day I live with the consequences of these
25 decisions, financially and emotionally.

1 As most of you know by now, the
2 agricultural community is in a crisis that
3 parallels and, by some comparison, is worse than
4 the Great Depression. While the rest of the US
5 economy is enjoying unprecedented prosperity,
6 American farmers are facing bankruptcy in alarming
7 numbers.

8 The average American farmer and rancher
9 is not the stereotypical farmer often depicted with
10 bib-overalls, straw in the mouth, and pitchfork in
11 his hand. American agriculture has, like the rest
12 of corporate America, become as efficient as
13 possible, enlarging our operation, and tightening
14 production costs. We continue to expand and
15 explore new ideas in agricultural production
16 including low-input, sustainable agriculture
17 processes. We effectively use computers and data
18 processing systems to keep us abreast of daily
19 marketing conditions and opportunities. Since
20 NAFTA and GATT agreements, these opportunities have
21 declined and dwindled substantially. We watch

22 helplessly as the EUC manipulates the world market

23 with their decisions to lower and raise their

24 subsidies.

25 Agriculture is the only business that's

1 not able to calculate the cost of production, add a
2 reasonable profit, and price our product. As
3 John F. Kennedy once said, "Farmers are the only
4 segment of the economy that buys retail, sells
5 wholesale, and pays the freight both ways."
6 Agriculture is the only segment of the economy that
7 is given a below-cost-of-production or
8 below-cost-of-living wage and expected to parlay it
9 into a profit or a living wage at the world trade.
10 We continue to plant our fields hoping that by some
11 miracle, the price of our product will cover the
12 cost of production. We cannot continue on in
13 business under the current marketing processes.
14 As with any business or corporate
15 entity, we need a competitive and aggressive
16 marketing arm that promotes and solicits sales of
17 our products. Given the current global
18 agricultural structure, it is virtually impossible
19 for the US Government to get out of agriculture.
20 The US Government and USDA is our marketing arm in
21 global markets. American producers realize this is

- 22 a world market and recognize the need to be
- 23 competitive. We are the most efficient and capable
- 24 producers of agricultural products in the world.
- 25 The US Government and the USDA need to be as

1 efficient and capable in sales and promotion of
2 agricultural products in the global markets.

3 There is an old saying, and I believe it
4 came from my wife originally, it's simple but it
5 holds a lot of wisdom, "If you keep doing what
6 you're doing, you're going to keep getting what you
7 got." And, basically, if we keep doing what we're
8 doing in the world trade negotiations, we're going
9 to keep getting what we got, which is losing more
10 and more of the world's market share, farmers and
11 ranchers going broke in record numbers, and a mass
12 exodus of the younger generation leaving ag
13 production for more lucrative and rewarding
14 occupations. We feel these points must be
15 rectified if American agriculture is to survive.

16 The US needs to match the EUC subsidies
17 dollar for dollar to American farmers. I've heard
18 here, let's eliminate the subsidies, this is a good
19 rhetoric, but don't fly. We've got other things,
20 we shouldn't use agricultural products as power,
21 negotiating powers and other things like that. The

- 22 USDA and US Government needs to be committed to
- 23 aggressive marketing of US products. Grassroots
- 24 agricultural producers should be represented at the
- 25 World Trade Negotiation table and have the power of

1 input in marketing agreements. Tariffs should be
2 imposed on imports of agricultural products. I say
3 this in the event that these products are coming in
4 at a less than our costs of production, then there
5 should be tariffs imposed on them to subsidize the
6 farmer for his cost.

7 Rather than America the beautiful, with
8 amber waves of grain, we're becoming a country of
9 waves of CRP grass. Are we going to set aside and
10 idle some of the most productive land in the world
11 and become a nation of importers of agricultural
12 products? Has it become more financially sound to
13 pay American farmers permanent, long-term subsidies
14 to plant our nation to grass, or is it a more
15 financially sound decision to compete in world
16 markets and let the demand for food products
17 ultimately be a positive force in balancing trade?

18 Farmers who are forced financially to
19 idle their land in CRP sell off their machinery,
20 and their sons and daughters leave the land never
21 to return. It is very unlikely this land will ever

22 return to production agriculture. Young farmers
23 don't stand a chance. If agriculture would again
24 become profitable through competitive marketing
25 strategies, the reverberations would be felt across

1 the nation.

2 The WTO organization meeting in Seattle
3 will be a critical meeting. The decisions made at
4 these conferences have the power to permanently
5 change the landscape in future rural America.
6 We've done our part by becoming as efficient and
7 positive as we can, it is now the part of the USDA
8 and the US Government to do their part as our
9 essential marketing arm to ensure we will become
10 profitable by becoming a competitive force in the
11 world market for agriculture commodities.

12 In closing, I'm going to make one
13 statement here, I thought of this on the way down.
14 I've been listening to the radio, Allen Greenspan
15 is talking about the robust economy. I would like
16 him to take a look at the grassroots producers,
17 basically we are something like lemmings going over
18 the cliff, and that's about how fast the
19 bankruptcies and foreclosures are happening and
20 will happen at a more rapid rate than the speed
21 it's doing right now unless something is done to

22 and for production agriculture. These give-away
23 programs and bail-outs that the government has been
24 giving to us, we graciously accept, but that's not
25 the way to fix the farm. Are there any questions?

1 MR. NELSON: Thank you, Robert. Panel?

2 Robert, thank you very much.

3 MR. NELSON: John Mott, Montana producer.

4 Followed by Ray Raihl, Executive Committee, Montana

5 Feed Association. John, go ahead.

6 MR. MOTT: My name is John Mott, my family

7 has a family ranch out by Great Falls, and I thank

8 you for the opportunity to speak today. Sorry I

9 don't have any notes, I figured it would be easier

10 this way.

11 I've been to school the last couple of

12 years and I have a masters in International

13 Management. I didn't really do very much with

14 agriculture, but I really understand international

15 strategy on businesses and corporations, and that's

16 kind of my focus today. And I took economic

17 classes and one of the earliest things we ever did

18 learn was Adam Smith and the invisible hand that's

19 supposed to be out there and do everything. My

20 philosophy today, it's not very invisible, it's

21 pretty visible and there's only a couple of strings

22 attached and that's about the way it goes.

23 My family struggles. We went through

24 the eighties and, my family, we lost a ranch in the

25 mid-eighties during trickle-down economics, you

1 know how well that worked. For us, it didn't work
2 at all and we lost it. And I've had to seek
3 out -- I've been able to go back to the ranch a
4 little bit, but basically I can't go back and get
5 into ranching again, it's too much money. I'm not
6 Ted turner, I can't afford one.

7 But what I want to concentrate on is we
8 hear an awful lot of talk, and I understand trade
9 issues and quotas and tariffs and limits like that,
10 but in some ways my understanding of a lot of this
11 is almost like we're chasing the wrong rabbit. I
12 don't believe in a lot of stuff that I've
13 researched that the EU is the enemy or Japan is the
14 enemy or Canada is the enemy. We're being
15 manipulated right here. The charts that we've seen
16 today, and a lot of the talk that's been talked
17 about today, is we're selling our product for less
18 than we did.

19 My family, because I went back and I
20 asked my dad this morning, I went back and I got
21 figures for '92 to '98 on what we got for our

22 calves. In '93, before the Uruguay Round and
23 before NAFTA, was the last time we had very good
24 prices. In '96, during the record year, was the
25 lowest price we received since 1992. And this is

1 supposed to be free trade, and this is supposed to
2 be we're going to open up the export markets and
3 happy days are going to be here again for the
4 producer? Well, it's not happening. Something is
5 wrong with this entire system. We go through -- I
6 mean, I studied an awful lot of this and we entrust
7 a lot of our products to the care of these
8 agribusiness corporations. ADM has been fined for
9 price fixing with a foreign firm, who is supposedly
10 the enemy. This is a foreign firm. We have
11 companies, major agriculture companies -- it
12 doesn't matter, ConAgra is in Australia and 37 or
13 40 countries. ADM is in South America, they have
14 processing plants, they have huge trading companies
15 in Europe. I don't know how much these
16 impact -- these trade negotiations impact these
17 companies.

18 We talk about the STEs and state trading
19 enterprises and we want transparencies. I spent 18
20 months trying to do a school project on meat
21 exports in Japan, and I went to the FAS, I went to

22 the senators' offices, I went to every resource I
23 could. And do you know what I wanted? I wanted
24 simple information, I wanted to know how much meat
25 was exported by company, not by the United States,

1 by company into Japan. I never did find it. I
2 know down to almost the pound how much meat was
3 exported, but I can't tell which company exported
4 that. But, yet, in school, they'll sit there on
5 the computer and they'll say Compaq sent 10,000
6 computers and IBM sent in 12,336 computers. How
7 come we can be that specific? And we want
8 transparencies from STE and Cargill, private
9 company doesn't have to report anything. And we
10 want STEs to be transparent, but our own companies
11 don't have to be transparent.

12 We're getting killed on the farm,
13 absolutely murdered. We can't -- my dad -- in your
14 magazine, one of the things that they're trying to
15 do is for the farmer to be a low-cost producer.
16 How low would you like us to go? My father is
17 driving an '87 pickup that's falling apart because
18 he can't afford a new one. We can't cut costs any
19 more. And when we get in these trade negotiations,
20 I'm really worried about how far it's going to go.
21 And I understand an awful lot of these issues, but

22 I talked to one of your officers and I asked a
23 question, I said, these big companies, did they
24 have to testify? Some of them have, but a lot of
25 them haven't. How come they don't have to sit in

1 front of a table like I do? I'm getting five
2 minutes, are they getting five hours a day? Five
3 hours a week? Are they in your advisory committee?
4 You consult with the agribusinesses, are you going
5 to take advice from farmers and ranchers? And
6 we're getting killed out here in the country and we
7 need something done.

8 The trade negotiations -- I will quit
9 because the amber light is on and I'm not going to
10 take up very much time. My question is this: In
11 the trade negotiations, who are they for? Are they
12 for the benefit of the agribusinesses or are they
13 for the benefit of the agriculture producers?
14 Because today, the way it sits, you can't do both.
15 I don't think you can satisfy both. You're going
16 to have to make up your minds on the negotiating
17 team, what side are we going to help? Are we going
18 to promote big business or are we going to help the
19 producer? And that's a question that I can't
20 answer, but I will see the results very quickly.
21 In the end, I will see the results very quickly.

22 Any questions?

23 MR. NELSON: Thank you, John. Any questions

24 or comments for John?

25 MR. MOTT: There's one comment. Mr. Galvin,

1 you said USDA and the packers in the packing plant
2 in the processing line, it's the USDA officers who
3 inspect the meat; correct?

4 MR. GALVIN: They either inspect or they have
5 supervisors there who oversee the inspectors.

6 MR. MOTT: 15 seconds. I was a QA for one of
7 the meat packing companies, I spent a year on the
8 processing line. We were told on the line, as
9 employees of the company, that USDA officers are
10 the enemy, you do not go to these people. I know
11 what goes down that line. And I can eat meat
12 today, which is a rarity, but I can still eat meat
13 today after watching what comes down that line and
14 I sat on the end of those lines for a year. So
15 some of what was talked about today, for them to
16 self regulate is a joke. That's about it.

17 MR. NELSON: John, thank you very much. Next
18 is Ray Raihl, and I don't know if I got the last
19 name quite right, from the Executive Committee of
20 the Montana Feed Association. And Ray will be
21 followed by Jerry Sikorski, Chairman of the

22 Northern Plains Resource Council and also
23 representing the Southeastern Montana Alliance.
24 So, Ray.
25 MR. RAIHL: Thank you, Mr. Chairman, you do

1 have the correct pronunciation of that name and I
2 thank you for that.

3 I do represent the Montana Feed
4 Association, both manufacturers, independent
5 manufacturers, and corporation manufacturers. Our
6 concern, very strongly, is the preservation of
7 agriculture and the livestock producer,
8 particularly within the State of Montana and these
9 northern tier states. We have beef manufacturers
10 that are going broke not because the producers
11 aren't buying the feed, but because the product is
12 coming by the truckload out of Canada. In order
13 for Canadian manufacturers to sell in the State of
14 Montana, all they have to do is get a license, a
15 feed distributor license. For manufacturers,
16 whether it be small independents on the northern
17 border or larger manufacturers, to ship into Canada
18 is a tremendous amount of red tape and some of the
19 companies have just washed their hands of it and
20 decided not to do anything about it. But in
21 retaliation, we have truckloads upon truckloads and

22 train loads of manufactured commodity by-products
23 coming into this state to our producers. And we
24 don't blame our producers for doing it because in
25 some cases it's \$50 a ton less. They need to

1 survive. But our small agribusiness in the
2 community needs to survive also.

3 Part of the problem here is in the dairy
4 industry. The dairy industry cannot export any
5 milk or butter or cheese products to Canada. But
6 yet they can come to this country and supply the
7 dairymen. We need better access of cattle to
8 Canada. I just took part in the Montana/Alberta
9 trade conference, and the Canadian producers very
10 strongly want access year round to US feeder
11 cattle; particularly, Montana and Wyoming, but with
12 the nonvector season rules only from the first of
13 October until the end of March. Well, the price of
14 cattle when the Canadian producers are starting to
15 buy, it will significantly affect the feeder calf
16 price. Last fall it affected it from \$3 to \$5, but
17 that's not until October and November and December.

18 There's too many protective Canadian
19 laws, and part of this is the dairy products, which
20 is part of the WTO. Part of it is the livestock
21 industry, which is also part of the WTO. Open

22 trade barriers and economics handle the flow. Is
23 it better for northern tier cattle to go to the
24 Midwest to our feed lots and processors? Or is it
25 more economically feasible to take northern tier

1 cattle across the border, which is much closer for
2 processing? And I realize there is a big issue
3 here on numbers of cattle going in and coming back,
4 but it seems like the cattle flow is one way, and
5 that's from north to south. Transportation is
6 another problem on major transportation byways,
7 whether it be highways or whether it be railways,
8 in these northern tier states.

9 In order to settle all of this, and I
10 realize this isn't an issue with the World Trade
11 Organizatin or with the USDA, but currency values
12 have got to change in order for this to work. We
13 can knock down the trade barriers, we can have free
14 flow of products, chemical, grain, pesticides,
15 cattle back and forth across the border. But until
16 these currency values are more equalized, it isn't
17 going to work either. Thank you.

18 MR. NELSON: Ray, thank you. Any questions
19 or comments for Ray?

20 MR. GALVIN: Appreciate your testimony, Ray.
21 I was wondering if you have some more detailed

22 information you can send us on the licensing and
23 other requirements that are imposed on those who
24 want to send manufactured feed into Canada? It
25 would be very helpful to have that. As part of

1 this agreement we have with Canadians, we do sit
2 down and meet with them twice a year and we go
3 through the whole list of current issues and
4 information along those lines would be very helpful
5 to us. I'm sure Sharon would appreciate it a lot.

6 MS. LAURITSEN: I would just like to add, if
7 we could have that in August, that would be useful.

8 MR. RAIHL: I think we can put that together.
9 Thank you so much.

10 MR. SCHROEDER: A quick comment again on the
11 theme that you've been making several times here,
12 and that is trade agreements are not the "be-all"
13 and the "end-all." The comments touching currency
14 exchanges, I can recall years ago asking somebody
15 why the Yen was going up against the dollar or why
16 the Rial was going down against the dollar? And
17 the guy said, well, you know there are about 12
18 people in the world that know about these currency
19 evaluations and six of them are somewhere in
20 Switzerland. I got to tell you, this is a big
21 problem. We sat down and made NAFTA with the

22 Mexicans, and the next day the Peso went from 2 or
23 3 to 1 to 9 to 1. And it's a whole new ball game.
24 And I don't know what we do about that, the
25 Department of Agriculture. Quite frankly, I'm not

1 sure the guys in the Treasury Department or
2 Allen Greenspan know how these things work. Again,
3 we try on trade agreements to do what we can, but
4 some of these things are beyond our jurisdiction
5 and power.

6 MR. NELSON: Thanks, Jim. Jerry Sikorski,
7 Chairman of the Northern Plains Resource Council
8 and also representing the Southeastern Montana
9 Alliance today. Followed by Klaas Tuininga,
10 Representative of the Schiller Institute. If Klaas
11 shows up, he's not apparently here yet. If Klaas
12 doesn't show up, then Greg Murphy, representing the
13 LaRouche Committee would be next. So, Jerry.

14 MR. SIKORSKI: Thanks, Bruce. Thanks, Ralph,
15 and panel for allowing me to speak here.

16 I'm Jerry Sikorski, I raise wheat, hay,
17 and cattle on a family ranch in the southeastern
18 Montana community of Willard. Our ranch is located
19 22 miles due west of the point where Montana
20 borders North and South Dakota. I'm here
21 representing Northern Plains Resource Council, in

22 the interest of time, I'll call it NPRC, of which
23 I'm Chair. NPRC is a Montana-based grassroots
24 citizen's organization that deals with conservation
25 and family agriculture issues that affect our state

1 and nation. NPRC has about 3,000 members and is
2 headquartered in Billings; SEMA is an affiliate of
3 NPRC with 50 members and is centered in Baker.

4 We believe the best way to sustain
5 Montana's values and way of life is to keep
6 individual agriculture producers on the land.

7 Sometime between now and October, the
8 world population will reach 6 billion people,
9 nearly half of those go to bed each night hungry,
10 many are literally starving. One does not have to
11 be a statistician to understand that population
12 will increase exponentially unless checked by some
13 catastrophic event like disease, war, or famine.
14 Yet every day I read about what a glut of wheat
15 there is and the reason for low livestock prices is
16 too much supply. What happens to this oversupply
17 of food? Is it being stored in huge warehouses or
18 dumped in the sea? Or is it being consumed?

19 The answer becomes clear when you
20 consider the following facts: Farmers and ranchers
21 are going broke, but consumers are not benefiting

22 with lower prices at the grocery store, nor are the
23 starving of the world being fed. At the same time,
24 American based Trans-global corporations report
25 record profits quarter after quarter after quarter.

1 How is this happening? Clearly, the
2 likes of Cargill, ConAgra, IBP, ADM, Smithfield,
3 Tyson, and others have amassed market power to the
4 point where they can pay producers whatever low
5 amount they wish and charge consumers whatever
6 price they can get away with.

7 The world marketing system is broken,
8 the market no longer responds to supply and demand;
9 but it's responding to the whims of multi-national
10 giants who are driven by profit motives for their
11 owners and shareholders. Last spring when live
12 beef prices were at their usual low, the big
13 packers had \$114 per hundred weight in the cost and
14 profit in their beef, yet they sold that beef for
15 \$123 per hundred weight because they could. On top
16 of this, the few grocery chains that dominate the
17 retail food in America could mark up beef to insure
18 their yet record profits.

19 These same giants, with their money and
20 resources, are the ones who design world trade
21 agreements to increase their domination of the

- 22 industry and the profits they reap at the expense
- 23 of producers and consumers worldwide. Grassroots
- 24 agricultural producers from all over the nations
- 25 all over the world are being exploited by what is

1 essentially an international agribusiness cartel.

2 We believe that whatever international
3 trade agreements are negotiated, grassroots
4 producers must have strong representation at the
5 table to insure their interests are heard and
6 protected. I am not talking about the big
7 commodity groups that do not have democratic
8 structures and do not have any accountability to
9 the grassroots producers. Without exception, that
10 I'm aware of, these big commodities fail to
11 represent our interests. They have become
12 apologists and promoters for the giant corporate
13 agribusinesses that are exploiting producers with
14 disastrous consequences to rural America.

15 It is time that trade agreements put a
16 priority on ensuring that few American corporations
17 that dominate the food industry do not use trade
18 agreements to fill their own pockets at the expense
19 of producers here and abroad. Boy, I'm running too
20 late.

21 We have some things that we'd like to

22 see done from Northern Plains. One is mandatory
23 reporting and compliance with US antitrust laws
24 must be required for imported captive supplies of
25 meat.

1 Country of Origin Labeling must be
2 implemented, that includes ground meat.

3 All imported agriculture products must
4 supply with minimum US food safety inspection
5 standards.

6 A countervailing tariff must be
7 implemented to ensure tax and currency to
8 equalization for ag products imported from other
9 countries.

10 Workers manufacturing imported products
11 must have the equivalent protections to US workers.

12 Imported products must comply with
13 minimum US environmental standards.

14 Parties prevailing in a successful trade
15 complaint against illegal imports should be entitle
16 to recover legal costs. That's in the R-CALF case.

17 Since George Washington, the United
18 States of America has had a long history of
19 producing plentiful and safe food for us and the
20 world. The individual ag producer has always been
21 respected worldwide as an innovator of efficiency,

22 let's see that they can continue to provide that
23 model for the world. They must be able to recover
24 their cost for production.

25 On the way up here, we bought a few

1 snacks for my grandson, a loaf of bread, 24 ounces,
2 \$2.10; Wheat Thins, \$3.69. I figured out what my
3 share of that retail dollar was, it turns out I got
4 4 and a half cents of value or 2.3 percent of a
5 value of a loaf of bread. Out of the Wheat Thins,
6 I had 2 and a quarter cents out \$3.69 in
7 Wheat Thins or less than .6 percent. Is there
8 justice in this? When I was a youngster, wheat
9 sold for \$2 a bushel and bread sold for 25 cents a
10 loaf, something is wrong here. Thank you.

11 MR. NELSON: Jerry, thank you. And, again, I
12 know you might not have got through all of your
13 statement, but it will be part of the record and
14 these folks are reading all of it. Panel, any
15 questions or comments for Jerry?

16 MR. GALVIN: Just on your point number 3,
17 "All imported ag products must comply with minimum
18 US food safety inspection standards." I just want
19 to assure you that that is, in fact, the
20 requirement today. The whole question, though, is
21 enforcement and testing of those imports. And it's

22 pretty clear that FDA, for example, is really
23 pressed for resources, so only about 1 percent or
24 so of imported products currently get tested and
25 sampled, but at least the basic requirement is

1 there that imported food as to meet the same
2 standards as US domestic food. And the real
3 question is, I think, enforcement and resources.

4 MR. SIKORSKI: We were just at a rally up at
5 Sweet Grass, which is a major port coming down
6 here, and I noticed nine hog trucks and they had at
7 least 200 hogs a piece. We were in the airplane so
8 I saw them coming down from Canada. They went
9 through that border so fast, there was no
10 inspection of those animals at the border, they
11 were live hogs. They went through and were fueled
12 up and were out of there, it took nine trucks five
13 minutes to go through there and I saw that with my
14 own eyes. There is no inspection.

15 MR. GALVIN: Again, my point is that they
16 have to meet the same --

17 MR. SIKORSKI: Where is it inspected?

18 MR. GALVIN: At slaughter.

19 MR. SIKORSKI: Where is the box beef
20 inspected? When we were there, three refers came
21 through, they didn't spend any time at the border.

22 Once across the border, it goes right to the
23 grocery stores in South Dakota. It's in
24 South Dakota that has the deal where they have to
25 have mandatory price reporting, they're importing

1 all their beef products into South Dakota. You
2 can't buy US beef, cut beef, in South Dakota.

3 MR. GALVIN: But, as I said, not everything
4 that's imported is inspected and tested. I think
5 that's really the issue, that only about somewhere
6 between 1 percent and 3 percent of imports are
7 actually sampled and tested because of the whole
8 issue of resources for agencies like the Food and
9 Drug Administration that are there to do the
10 enforcing.

11 MR. NELSON: Jerry, I think he's agreeing
12 with you.

13 MR. SIKORSKI: Thank you.

14 MR. NELSON: Klaas Tuininga representing the
15 Schiller institute is next, if he's here. If not,
16 Greg Murphy representing the LaRouche Committee.
17 Greg will be followed by Don Taylor, Campaign to
18 Reclaim Rural America. Don is out of Lewistown and
19 will be speaking for Helen Waller who wasn't able
20 to make it down today.

21 MR. MURPHY: Thank you. My name is

22 Greg Murphy, and I would like to thank you for this
23 opportunity to comment on the proceedings today.
24 We've heard a lot of comments about how
25 the agriculture industry is -- the economy in the

1 agriculture industry is just terrible, they have a
2 lot of problems, they have bankruptcies going all
3 over the place, you have hot lines -- suicide hot
4 lines for farmers all over. But not only is there
5 problems in that industry, but also in all the
6 other industries there's other problems.

7 Today we're told the economy is
8 recovering, but the evidence doesn't seem to be
9 bearing that out. Truth be told, we're in a global
10 collapse. Just look at the Asian crisis; the
11 Russia crisis of last August; Brazil, long-term
12 capital management bail-out, and also the closing
13 of the GM Buick plant in Michigan. By this
14 evidence, economic recovery is just a myth. The
15 stock market is doing great but nobody else is.

16 The person on the street realizes there is a
17 problem. We have farmers that are not getting fair
18 prices for their commodities and we have a way to
19 help that out. The real solution would be go to
20 the new Brent Woods Proposal coupled with the Asian
21 land bridge for infrastructure projects, not only

22 in the US, but throughout the world. Which would
23 make it easier for the farmers to get their food to
24 the markets and to get the markets opened up into
25 other countries.

1 We have that law -- that Right to Farm
2 Law that was passed a year or so ago that has
3 actually hurt the farmer more than it has helped.
4 It's helped the larger farmers, corporate farmers
5 have gained from it, but the smaller farmers are
6 become hurt. We should go back to the law that was
7 in the middle fifties. We set for parity pricing
8 of commodities and things for the farmers so that
9 would help them out and also it would help with the
10 food that is laying rotten in Nebraska, North and
11 South Dakota. We have people starving, 900 million
12 people starving throughout the world. We have food
13 rotting, we should have a way to get that food
14 around.

15 We talked about that it was mentioned
16 that we should do something about the national
17 currency, the exchange rates. We're proposing that
18 you should put a fixed value on those national
19 currencies, and also foster necessary protectionist
20 measures of tariffs and trade regulations to keep
21 from having predatory trade prices with our trade

22 partners, have a more equal playing field. Make
23 trade instead of free trade.
24 For all this to work, we have to find a
25 way to increase the physical output of the whole

1 economy. Not only will we be able to do this with
2 the financial system of the new Brent Woods
3 Proposal, but also we would be increasing our
4 infrastructure, make it easier for farmers to get
5 their stuff to and from market, and this could all
6 be implemented by following the example of
7 Roosevelt, accomplish recovery of the credit
8 generation on a gigantic scale to finance
9 infrastructure projects and to rebuild the
10 agriculture base of the United States along with
11 the industrial base.

12 This credit was issued as long-term,
13 low-interest loans targeted toward key
14 infrastructure toward aid for the farm sector
15 financing key industry projects that went toward
16 that war effort. And in conclusion, the new Brent
17 Wood Proposal coupled with the Asian land bridge is
18 the only solution to the present crisis. Through
19 these programs, we will develop new technologies,
20 new agriculture, and good paying jobs that the
21 future demands. Thank you very much. That is my

22 comments.

23 MR. NELSON: Panel, any questions or comments

24 for Greg? Greg, thank you very much. Don Taylor

25 representing Campaign to Reclaim Rural America and

1 Don is speaking for Helen Waller. Don will be
2 followed by Jim Schwartz, who is the Deputy
3 Director of the Wyoming Department of Agriculture.

4 MR. TAYLOR: Thank you. Welcome to Montana,
5 Panel. I am testifying here for Helen Waller.
6 I'll read her statement here. I'm a Circle area
7 farmer, a member of the steering committee for the
8 Campaign to Reclaim Rural America and the past
9 Chair of the Northern Plains Resource Council.

10 Due to circumstances here on the farm,
11 I'm asking Don Taylor, who is a member of the
12 steering committee for the CRRA, to read this
13 testimony into record.

14 And I am Don Taylor, I farm and ranch 18
15 miles north and west of Lewistown. I am one of the
16 founders of Lewistown Farm Reform, a platform for
17 the actual producer. We like to call ourselves the
18 real people to be able to speak up and be heard.
19 This movement evolved into a national movement
20 called the Campaign to Reclaim Rural America, an
21 awareness program, an eight-point petition drive,

22 which has the signatures from the members of
23 virtually every ag group in this room and rural
24 Americans from coast to coast and border to border.
25 This movement has the support from

1 non-ag groups such as the state FLCIO, Montana
2 Association of Churches, state governments,
3 environmentalists, the Montana Wilderness
4 Association, Bankers, et cetera.

5 I originally came here today as a
6 listener and to learn. On behalf of the Campaign
7 to Reclaim, this is from Helen.

8 On behalf of the Campaign to Reclaim
9 Rural America, I would like to thank the United
10 States Trade Representatives and the United States
11 Department of Agriculture for the opportunity to
12 testify today. The Campaign to Reclaim Rural
13 America is a grassroots movement organized to bring
14 attention to the economic problems that are
15 bankrupting farmers, ranchers, and main street
16 business people throughout Rural America, and its
17 impact on America as a whole.

18 While the World Trade Organizatin
19 operates within the scope of the general agreement
20 on tariffs and trade, GATT, and the North American
21 Free Trade Agreement, NAFTA, it's obvious that

22 those agreements were crafted to allow giant
23 corporations to shop the world over for labor and
24 commodities. This conflict is about power;
25 unrestrained power handed over to multinational

1 corporations that pit one company's productive
2 capabilities against another's to drive down the
3 cost of raw materials and labor on a global basis.

4 The effects of the so-called Free Trade
5 Agreements is further concentration of the world's
6 wealth in the hands of a few. If a government
7 deliberately oppresses its people, we call it
8 tyranny, but if a corporation does it, we call it
9 efficiency. The same multinational corporations
10 that benefit from the WTO, also have tremendous
11 power in congress to establish domestic farm
12 policy. It is wrong to depress the price of
13 domestically consumed grain based on the fact that
14 35 percent of the US production is subject export.

15 The Campaign to Reclaim Rural America
16 calls for remedies based on an eight-point plan.
17 If enacted, it would provide some emergency measure
18 to keep at-risk farm and ranch operations from
19 being liquidated.

20 Beyond that, we call for the reform of
21 international and domestic markets to re-establish

22 competition among buyers in the marketplace.

23 We ask for vigorous anti-trust

24 investigations into the concentration of ownership,

25 meat packing, grain handling, processing, and

1 retailing.

2 We believe the consuming public deserves
3 to know where their food comes from through Country
4 of Origin Labeling and is entitle to strict
5 inspection of imported agriculture products to
6 assure compliance with standards equivalent to the
7 US standards for food safety, environmental and
8 worker protection.

9 We call for the mandatory price
10 reporting of livestock and grain.

11 And we request for the 1999 WTO
12 negotiations on agriculture be carried out from the
13 producers' perspective rather than the usual
14 emphasis on export.

15 Further, we request that the Clinton
16 Administration's negotiated goals and objectives be
17 made public for review and comment prior to the
18 Seattle round of the WTO ag negotiations.

19 And finally, let it never be said that
20 you do not know about the level of anger and
21 resentment aimed at a system that gives unfair

22 advantage to the buyers of our labor and the fruits
23 of our labor while we struggle to maintain a
24 respectful living for our families through the
25 efforts of the powerful to globalize us. You have

1 taken from us the dignity and pride of any member
2 of sovran nation, of many sovran states.

3 (Whereupon, Mr. Taylor quoted
4 newspaper articles.)

5 Why is it if a government deliberately
6 oppresses its people we call it tyranny, if a
7 corporation does it, we call it efficiency? I urge
8 you to reevaluate provisions in the WTO that would
9 further concentrate wealth in the hands of a few a
10 multinational corporations. A former supreme court
11 justice once said, "We can have democracy in this
12 country or we can have wealth in the hands of a
13 few. We can't have both." Thank you from
14 Helen Waller.

15 MR. NELSON: Thank you, Don. Thank you,
16 Helen. Panel, any questions or comments for Don?

17 MR. GALVIN: Just a quick observation that I
18 don't think you'll have to wait until Seattle to
19 see our stated objectives for the next round. In
20 fact, we outlined some of those earlier today in
21 the slide presentation, and we make a real effort

22 to put that kind of material up on our FAS web
23 site. And I would encourage you, if you get a
24 chance, it's got a lot of good trade statistics and
25 that sort of information as well. But we have a

1 trade policy section in there so you can look to
2 see what our objectives are for the next round,
3 things like getting rid of export subsidies and
4 that sort of thing.

5 MR. NELSON: Thank you, Don. Next is
6 Jim Schwartz, who is the Deputy Director of the
7 Wyoming Department of Agriculture. Jim, welcome to
8 Montana, glad you're here. And Jim will be
9 followed by Dan Tiegen representing the
10 North Dakota Resource Council, and Dan, if you're
11 from our neighboring State of North Dakota, also
12 welcome to Montana. Jim.

13 MR. SCHWARTZ: It's a pleasure to be here and
14 I want to thank the panel for inviting Wyoming to
15 come up. I have to say that listening has been a
16 real education for me. In preparation of coming, I
17 talked to most of the commodity groups in Wyoming.
18 We made a list of concerns and I could have
19 probably been up here for two hours, but I think
20 most of the concerns you've probably already heard
21 one way or another.

22 Wyoming agriculture is in a crisis and
23 the frustration level is extremely high by
24 producers. The industry is as depressed as I've
25 ever seen it. And I know it's not all world trade,

1 but it's a major component that I think affects
2 each and every one of us. Probably the number one
3 issue that comes out of Wyoming is a fairness issue
4 that we've heard a lot here today. Fairness with
5 subsidies and tariffs and market access,
6 environmental and health regulation are critical.
7 And that fairness cannot be a short-term deal, it
8 needs to be long-term. I mean, we have got to look
9 at the long-term so there will be some stability
10 within the industry.

11 I had a call yesterday from a county
12 commissioner from one of our counties. I thought I
13 would pass a little bit of this on. Niobrara
14 County is about 1.6 million acres, it's primarily
15 livestock but some crops. He heard a lot of
16 concerns and I haven't heard a lot today about how
17 this whole crisis is affecting communities. He
18 indicated to me that in Niobrara County, the county
19 seat Lusk, Wyoming, and a lot of you might have
20 seen the Microsoft commercials that were promoting
21 -- it's kind of surprising to me, but he said that

22 30 percent of the downtown businesses are now
23 closed. He said all the related ag businesses had
24 moved out. The construction, the pipelines, a lot
25 of those types of businesses are gone. As a

1 county, they're having to reduce a lot of the
2 police protection, the sheriff's department.
3 They're reducing the libraries and the roads and
4 bridges. Education services are being reduced.
5 The number of farms is down by 10 percent and they
6 indicated that would be even higher if it wasn't
7 for a bunch of hobby farmers that have moved into
8 the county. 50 percent of the center pivot systems
9 are now shut down, and primarily for economic
10 reasons. But, basically, what his message was, was
11 that this community is broke and primarily because
12 the agriculture industry is under such a crisis
13 right now.

14 And I think we're going to see a lot of
15 communities in the State of Wyoming that are going
16 to be in the same shape. One other item I would
17 like to touch on is, three months ago we met with
18 ten of the leading banker industries in the State
19 of Wyoming. And we talked about if they would be
20 willing to ride this thing out this time. They
21 indicated that they would, that they didn't want to

22 get into the foreclosure business that they did in
23 the eighties. The next week I had three calls from
24 producers who were refused renewal of operating
25 notes. And if that refusal happens, they're

1 basically out of business even if it's not
2 foreclosure or bankruptcy. So I think it is a
3 major problem, I think we got major concerns and I
4 really appreciate the opportunity to come here
5 today.

6 In closing, I'd ask you to take strong
7 steps to address the critical issues that you've
8 heard today. I encourage you to work with a lot of
9 these people from these organizations and states,
10 and if we can help, we'd sure be glad to. We know
11 we can't fix it all, but I think if we can work
12 together, we can get some of these issues covered.

13 MR. NELSON: Jim, thank you very much. And
14 we appreciate you coming up and joining us here
15 today. Panel, any questions or comments for Jim?

16 MR. PECK: I would just like to mention, we
17 spent some time together, Jim and I, in this last
18 couple weeks, and we spent some time on taking a
19 look at a trade accord meeting, we met the Western
20 Ag directors, and I think we are continuing to work
21 on these issues and I appreciate you coming all the

22 way from Wyoming, Jim, thank you very much.

23 MR. SCHROEDER: It's my pleasure.

24 MR. NELSON: Next will be Dan Teigen. We

25 have family with that last name here in Montana and

1 that's the way it's pronounced here. Next after
2 Dan will be Diana Adamson from the Montana Farmer.
3 So, Dan, thanks for coming over.

4 MR. TEIGEN: Members of the panel, my name is
5 Dan Teigen, I farm and ranch in Teigen, Montana,
6 actually. I am speaking on behalf of the North
7 Dakota Resource Council, a sister organization of
8 the Northern Plains Resource Council.

9 MR. NELSON: I'm still glad you're here.

10 MR. TEIGEN: Glad to be here in spite of the
11 morning drive. And I am reading on behalf of
12 Dakota Resource Council.

13 As we have so many times in the past, we
14 have come before you today to plead for a fair deal
15 for America's family farmers and ranchers. While
16 we appreciate you hearing us out, the USDA's
17 actions under Mr. Glickman leave us with low
18 expectations for real action. Perhaps it's all
19 ready too late to reverse the destruction of
20 independent agriculture in this country,
21 destruction caused in large part by the USDA's

- 22 misguided trade policies and it's complete
- 23 unwillingness to enforce antitrust laws. The beef
- 24 industry is controlled by a small cartel of food
- 25 processors, and now with the merger of Cargill and

1 Continental officially blessed, the grain industry
2 is in the same position.

3 If we sound frustrated, it's because we
4 are. We are told by economists and agronomists
5 that prices are low because of overproduction and
6 weak export markets. Apparently, we need to eat
7 our way out of this problem. This is true while
8 multinational agricultural cartels continue to post
9 record profits while our corporate food processors
10 are getting filthy rich while those of us who
11 actually produce the food commodities are all going
12 broke. Could it be because of corporate dominance
13 in the marketplace? Yes. Could it be because
14 Mr. Glickman is not about to offend corporate
15 interests? Yes. Could it be because some people
16 who supposedly represent our interests seemed to
17 have looked away from those who actually grow the
18 food? Yes.

19 The interest of the agricultural cartels
20 diametrically oppose the interests of independent
21 ag producers. Yet, how often are we told by USDA

22 that they won't do anything until our industry
23 reaches a consensus as to what the problems are.
24 This past May, the USDA released a report saying
25 that the beef packing companies, ConAgra, Cargill,

1 IVP, which control 80 percent of our nation's beef
2 market, had the ability to control beef prices.
3 But the report found no evidence that these
4 companies actually fix prices. According to this
5 logic, the people who are running these companies
6 are incompetent. They have the ability to keep
7 beef prices low, but don't do so. Are they not
8 pleasing their stockholders?

9 For such executives, the risk of not
10 pleasing their stockholders and keeping commodity
11 prices low is tremendous, while the risk of getting
12 caught fixing prices is minuscule. The USDA
13 enforcement of anti-trust laws is a joke. And even
14 should some stroke of luck lead to prosecution and
15 conviction, the executives know that US judges will
16 only administer a token or symbolic sentence as
17 happened in the recent case of Archer Daniels
18 Midland.

19 Neither the Justice Department nor the
20 USDA worked to prevent the merger of Cargill and
21 Continental Grains. The merger became one more

22 nail in the coffin of independent agriculture in
23 the United States. Yet, the agencies that
24 supposedly represent our interests sided firmly
25 with the organizations advocating the merger. The

1 most obvious reason our elected and appointed
2 officials and representatives side with the cartels
3 like ADM is money. The executives running ADM
4 donate a lot more money to campaigns than honest,
5 hardworking family farmers and ranchers because
6 they have the financial resources to buy and sell
7 influence. People convicted of stealing tens of
8 millions of dollars directly from the pockets of
9 independent producers control our ag policy. Their
10 priorities have become our government's priorities.

11 So cheap beef imports dumped into the US
12 market below the cost of production drive producers
13 to bankruptcy. The only trade action USDA pursues
14 involves bananas, the commodity not even grown in
15 the United States. Apparently, it seems
16 Mr. Glickman believes bananas are a more important
17 commodity than that what we reproduce.

18 Now you ask us for input regarding
19 upcoming WTO negotiations. Given realities of US
20 agriculture today, you can't blame us for being
21 less than optimistic. Many are starting to believe

22 our ag producers would be better off had the WTO
23 never been created and the multinational treaties
24 that created it had never been drafted. The WTO
25 seems to be an organization more beneficial to

1 multinational corporations than to farmers and
2 ranchers, thus our frustration and skepticism.
3 However, if we are to abide by WTO rules, we need
4 to enact and aggressively enforce antidumping
5 regulations to punish those who don't abide by such
6 rules. Chemical harmonization between ag producers
7 from different countries need to be up, not down,
8 rather than every country sinking to the lowest
9 common denominator of food safety. We should
10 strive to bring the entire world up to highest
11 standards possible. We should not force countries
12 to accept GMOs and hormone-raised beef if they
13 don't want it. Nor should we accept produce
14 treated with chemicals not approved in the United
15 States.

16 Finally, at the very least, we need to
17 seriously consider revisiting elements of existing
18 trade treaties which have failed or harmed family
19 ag producers before we dive deeper into the wave of
20 global commerce. If the track record of the trade
21 treaties had not been so questionable to family

22 producers, we would not be here expressing our
23 grave concerns. If we fail to do at least this for
24 ag producers, ag consumers might as well stop
25 eating today because when the farmer and rancher

1 starves to death, guess who's next. Thank you.

2 MR. NELSON: Dan, thank you. Panel?

3 MR. SCHROEDER: Just a comment. As has been
4 said before, the banana case was brought by the
5 office of trade representative, it was not brought
6 by Secretary Glickman. In the case of the
7 Cargill/Continental Grain merger, Secretary
8 Glickman called for a full investigation of that,
9 the decision and the competitive effect of that
10 merger is a decision for the United States Justice
11 Department. It was the United States Justice
12 Department that decided with conditions that
13 apparently it was okay to go forward. It was not a
14 decision Secretary Glickman could make or had any
15 authority to make.

16 MR. TEIGEN: I think family farmers and
17 ranchers would take help from any department.

18 MR. SCHROEDER: You know there's been a lot
19 of talk about competition, concentration, I'm
20 concerned about that, too. But how many railroads
21 do we have in this country now?

22 MR. SIKORSKI: We have one in the State of
23 Montana.

24 MR. SCHROEDER: I think Microsoft has 90
25 percent of the computer software programs.

1 Wal-Mart is the largest retail in the world. Every
2 week I hear about the family clothing store or the
3 family hardware store has gone out of business
4 because of Wal-Mart. Cars, how many car companies
5 do we have? I think, what, German bought Chrysler
6 and General Motors owns Toyota or something.
7 There's only about three or four car companies now
8 in the world. My wife is now working in the book
9 publishing industry, we're down to four or five
10 companies now which essentially publish all the
11 books; one of those is Time Warner and one of those
12 is a German company which bought Random House,
13 which bought -- it's a big problem. And it's
14 certainly a problem in your area of interest and
15 certainly agriculture. But it's a problem in many,
16 many sectors. And I guess we're just going to have
17 to live with it.

18 MR. TEIGEN: I guess family farmers and
19 ranchers, we're getting Wal-Marted out of
20 existence. Every industry is -- independence is
21 disappearing, the concentration is increasing, it's

22 ironic in this mad dash of free market capitalism.
23 Pretty soon we'll have one bank, one insurance
24 company, one grain company, one meat packer like
25 the Soviet Union. Communism, completely, one

1 person to go to to handle all your grain needs, one
2 person to go to to handle all your banking. Do we
3 realize what we're doing here? Just because all
4 the other industries are doing this, I don't think
5 that makes it right. There's something to be said
6 for competition as it was originally intended back
7 when this country was starting out.

8 MR. SCHROEDER: Go get them.

9 MR. NELSON: Thank you very much. Next is
10 Diana Adamson from the Montana Farmer, followed by
11 Ray Gulick a Montana producer up in Joplin.

12 MS. ADAMSON: Sir, Mr. Schroeder, I hope that
13 means you haven't given up.

14 MR. SCHROEDER: No, no, it's more fun to
15 fight.

16 MS. ADAMSON: My name is Diana Adamson, we
17 are a third-generation family farm trying to have
18 the fourth generation come back to the farm, and at
19 this point, it is not possible in any way, shape,
20 or form if my son wants to educate his two
21 daughters and have some kind of a living.

22 My husband, Art, and I are grain
23 producers in north central Montana. We have read
24 and been told by economists how the trade
25 agreements would be good for our economy, but

1 that's not been true for the grassroots agriculture
2 economy. In fact, it's quite the opposite. Our
3 income has steadily declined while our expenses
4 have decreased. We feel that our way of life has
5 been and is continuing to be bartered away. You,
6 as American negotiators, have an opportunity to
7 correct the inadequacy and the unfairness of the
8 past trade agreements that have adversely affected
9 production agriculture. You have an obligation to
10 American agriculture and all of the negotiations
11 and decisions made at the WTO meetings in Seattle
12 not to trade us away.

13 American family producers should not be
14 asked to compete with agriculture products that are
15 produced under less stringent health, safety,
16 environmental, labor, and other standards that are
17 required of US farmers and ranchers. Our family
18 farmers and ranchers can compete in a fair trade
19 environment which includes transparent trade policy
20 and equitable, enforceable rules that are
21 consistently applied.

22 I would recommend the following: Before
23 any trade agreements are negotiated under the new
24 Seattle Round provisions, there needs to be an
25 economic impact statement about the effect of NAFTA

1 and the WTO on family-sized farming and ranching
2 operations in the US, both by state and by
3 commodity. Two, we must have Country of Origin
4 Labeling for all agricultural products. Three,
5 inspect all agriculture products coming into the
6 United States. I realize we just addressed that,
7 but I would like to ask a question concerning that.
8 Is it not important to inspect the other 99 percent
9 of the imports? And if it is important, why can't
10 they get the funding to do so? Four, ag producers
11 need to be part of a negotiation team. We must
12 work closer with our Canadian neighbors to begin
13 creating alliances instead of policy disputes.

14 Future trade negotiation should be
15 consulted with both house and senate agriculture
16 committees. Producer representation on trade
17 advisory committees and negotiations is essential,
18 including the ag committee oversight throughout the
19 negotiating process. The special ambassador for
20 agriculture should be a permanent position in the
21 office of the US Trade Representative. Trade

22 agreements should include labor, environmental, and
23 health and safety standards leveled up to US
24 standards. And there needs to be re-establishment
25 of the farmer-owned reserve to ensure both food

1 security in the United States and abroad.

2 Production agriculture is the heart and
3 the soul of America, we provide jobs, we provide
4 cash flow, and an abundant, safe food supply and a
5 community spirit. Do not trade away our soul. If
6 you do, you will destroy the fiber that has made
7 our nation great. Thank you.

8 MR. NELSON: Panel, any questions or
9 comments?

10 MR. GALVIN: I agree, we should be putting up
11 more resources to make sure that the food we eat,
12 both domestic and imported, is safe. You might
13 recall last year President Clinton announced a
14 major new food safety initiative, I believe he
15 called for \$100 million dollars in additional
16 spending under that. Unfortunately, Congress has
17 not come through with full funding for that, but I
18 think there is a great awareness that more
19 resources are needed for this sort of effort.

20 You know, right now, today, there's a
21 billion dollars worth of products, both agriculture

22 and nonagricultural, that cross the US/Canadian
23 border every day, a billion dollars. That's an
24 awful lot of product, and I don't think we need to
25 inspect absolutely everything that comes across or

1 a lot of that commerce would just grind to a halt.

2 But I think, clearly, there is a need to do more
3 inspecting and more testing so that everybody feels
4 better about the safety of the products that we
5 consume.

6 MS. ADAMSON: For the Ecoli, the life of one
7 child is worth every inspection that you have.

8 MR. GALVIN: That's right. It's just not an
9 imported food issues, as you know, it's a domestic
10 food issue as well.

11 MS. ADAMSON: I do have a bumper sticker that
12 was done by a third grader from Lewis and Clark,
13 and it says, and I would like to present this to
14 you, Mr. Galvin, it says, "Take care of
15 agriculture, it takes care of you."

16 MR. NELSON: Thank you, Diana.

17 MR. SCHROEDER: I saw a bumper sticker the
18 other day in Washington that said, "Keep honking,
19 I'm just reloading."

20 MR. GALVIN: We also have a statement that
21 was submitted by one of our younger participants in

22 the audience today having to do with whether or not
23 he is going to become a farmer in the future. And
24 he says in here, it very much depends on what
25 happens to the price of wheat. So we'll enter this

1 into the record as well. Thank you.

2 MR. NELSON: Ray Gulick from Joplin.

3 MR. GULICK: Bob Griffin better get up and

4 investigate this table, it's on wheel, but it's

5 solid, you can't move it. He invented the duck

6 foot shovel mounted in rubber that would vibrate

7 and it would never plug or anything. He's from

8 Chester, I know him well.

9 I'm Ray Gulick from Joplin. I want to

10 point out a few things you can use. After the

11 death of my mother, we sold the farm to my nephew.

12 He was a working fool and we thought he'd make out

13 good especially as he had a truck firm to help out.

14 But, recently, he put the farm in CRP and has torn

15 down all fences and bull pens and telephone pole

16 bull stuff, and burned all that stuff and piled it

17 into a big hole about the size of this room. Also

18 the mustard seed combine that my brothers invented

19 and the plows they invented, so the farm is no

20 longer a farm and he can never get back into

21 farming. So he has moved to Billings. Two

22 reasons, low prices for his labors and he simply

23 gave up and quit.

24 I and my dad homesteaded 320 acres in

25 1931 after we came back from California. And

1 starting with nothing, using horses, neighbors came
2 and broke up the sod, but the Roosevelt Farm
3 Program prevented us from raising wheat so we
4 raised mustard seed. Three out of five seed crops
5 were okay, but two out of five were failures, but
6 we kept on. Now, it's all gone and I'm living
7 there to keep them from tearing the house -- having
8 the Hutterites tear the house down, the stone house
9 we built for my mother in 1935. So I wish to
10 comment.

11 Alberta and Saskatchewan are in the same
12 trouble we are. Farm after farm auctions and
13 bankruptcies up there, you can't believe it. I'm
14 85 next week, so it doesn't really, but I'm
15 concerned about the young people who no longer have
16 faith in us oldsters. The Hutterites are
17 competition also, but we made room for them because
18 they are friendly, christian peoples. And then
19 there was a little story a few years ago about one
20 of the big store chains would bring cattle down
21 from Canada and sell them in the Chicago meat

22 markets and they'd buy them back, and then the next
23 week the same bunch of cattle came down again and
24 then the next week the same bunch of cattle. And
25 they kept that up and it broke the market and it

1 didn't cost them very much. But it kept the market
2 low. That's another thing that ought to be looked
3 into.

4 You know I got lost coming up here
5 trying to find this building, I see now where all
6 the State's tax dollars went over the years. For
7 50 years, I farmed 99 and 9/10 acres of wheat and
8 tried to get it raised to 100 so I could add and
9 subtract. Well, that's another thing, the boards
10 were worthless. And, lately -- well, eight years
11 ago I was taken in by the request of the
12 President's administration to write in and suggest
13 policy for the President, so I did. I registered
14 each letter to make certain he got it, he had to
15 sign for it. Each morning the mail girl would take
16 them up to him, her name was Monica. You know,
17 what happened there.

18 Well, I was going to drop this off, but
19 I think I should mention it. There's a corner room
20 in the basement of the White House where the
21 curmudgeons exist, the Federal Reserve Banking.

22 Allen Greenspan, I heard him mentioned before, they
23 have their own view of things and they are
24 powerful, their recommendation is more powerful
25 than anything we do. Our bankers are the first

1 line of defense against enemies, poverty, and
2 production coming to a halt. And then space, we've
3 got to keep on. Well, this is the rally up at
4 Sweet Grass, I was the last speaker up there, too.

5 On April 14th, I had a little piece in
6 the paper about Dan Glickman, Secretary of
7 Agriculture, has a vast organization all working to
8 a common goal, namely, keeping America's farmers on
9 the job, producing food, and out of the bankruptcy
10 courts. Many ideas work together to keep the
11 income up for farmers, but the intense competition
12 and the unexpected good fortune of lots of rain can
13 upset the markets and the price, which is the
14 bottom line in any business. But like the Army,
15 Navy, and Air Force, so much money is spent in
16 unexpected ways and one can get into trouble.
17 Thank the lord or someone for debit financing to
18 allow these extra benefits.

19 Everyone came here to protest the family
20 farm versus the corporate farm. Sure you do
21 business by the most efficient way of life-style,

22 but the family farmer is all of these things in one

23 package tied with a red ribbon. Let's see what

24 else I said.

25 Well, this here was one on parliament I

1 don't think you want to hear that. See, our form
2 of government was follow parliament, but when the
3 king got ornery, we had to quit him. But
4 parliament was the christian government and well,
5 the Irish are doing it right now, fighting them,
6 it's the secret Arab societies from the crusader
7 times that they're -- well, terrorism really gets
8 the job done, it really does. We can't allow that
9 kind of stuff.

10 So, anyhow, oh, here we go. World One
11 Piece Treaty made Germany feed Europe and we
12 couldn't sell our wheat out here. And in 1948, we
13 fed Germany, first time in history that a nation
14 fed a former enemy. Senator Wheeler said in 1922,
15 12 cents a bushel is not enough, but people just
16 lived out there and they didn't need very much. I
17 messed up on the parity thing here, you want to
18 hear about that, I think.

19 The principle of parity. The government
20 has a job and everyone gets paid. War is parity,
21 social security on a massive scale is parity.

22 Building roads, renovating cities, that's parity.
23 Supporting medical programs is parity. Well, maybe
24 you should you know the divine right of kings to
25 rule was breaking down in the about the time of the

1 American Revolution, and other ideas were making
2 their -- had made themselves known. Not the least,
3 was the American Revolution throwing off the kings
4 to rule. The practice of democracy and the king's
5 councils of the revolutionary idea that the lord
6 sought to rule, let alone the common workers, led
7 to the formation of parties and advocating loudly
8 their right to be heard. Governments responded
9 with secret meetings, and then were further
10 strengthened by secret words of recognition and
11 secret handshakes and other agendas were adopted
12 from the secret Arabs a thousand years ago in the
13 crusades. And except for the Christian beliefs of
14 openness and honesty, it would be the like the
15 Senefen(Phonetic) in Ireland, they mean well but
16 secrecy creates its own problems. In our own
17 country, we call them the secret caucuses for party
18 organizing and adopting policy otherwise truth and
19 openness is required at all times. Thank you.

20 MR. NELSON: Thank you very much, Ray.

21 Panel, any questions or comments for Ray?

22 MR. GALVIN: Thank you for your testimony,

23 thank you very much.

24 MR. SCHROEDER: I'm against the divine right

25 of kings also.

1 MR. NELSON: That concludes the last of our
2 groups. I would like to say, again, thank you very
3 much to all the producers who came today. The
4 panel, again, we really appreciate you coming out
5 to Montana. I especially want to thank the folks
6 from the Montana Department of Agriculture and the
7 Foreign Ag Service and a couple of Farm Service
8 Agency employees who were here today to help out.
9 As well as the people who signed and recorded the
10 sessions today. Thanks very much, I think it is
11 real good, and believe it or not we are right on
12 schedule. So, Ralph, we did good.

13 MR. PECK: Thank you. We are on schedule,
14 but I thought maybe it would be a good time for
15 those that braved until the end to get a little
16 response from our panel members on what their
17 thoughts are and where we go from here. Do you
18 want to give kind of a summary of your thoughts?
19 Not to put you on the spot, but just what your
20 thoughts are and where do we go from here.

21 MR. GARROS: One of the things you can't miss

22 sitting up here in the room today is that
23 agriculture producers in Montana and other parts of
24 the country are facing a very difficult time. I
25 appreciate you took the time to come and talk to us

1 and explain what your concerns are, both with the
2 domestic agriculture policies, the conditions of
3 competition you're facing, as well as, your
4 concerns about trade agreements in general and your
5 concerns that you want to make sure are raised in
6 the next round as we go into Seattle.

7 We heard a lot of frustration and
8 skepticism about trade in general and about whether
9 trade agreements benefit producers. I would say
10 that they do and I think a lot of us when we think
11 about where we sell our products, we would say that
12 in the broad scope, trade agreements are beneficial
13 to producers. One of the other things we heard is
14 that world access is important for the production
15 of grains and cattle here in Montana, and a lot of
16 other ag products.

17 You also gave us some specific
18 suggestions on what our objectives should be, some
19 of those were eliminating or reducing export
20 subsidies, restraining domestic supports at the
21 store trade, restraining or eliminating state

- 22 trading enterprises, strengthening the dispute
- 23 settlement system to make sure the trade agreements
- 24 can be enforced, moving towards greater
- 25 harmonization between agriculture and environmental

1 regulations. Some of the issues that you raised
2 are being incorporated into our policies and
3 they're already up on the web sites as we check
4 what we're looking at in the next round. Some
5 we'll need to reflect on further and determine how
6 to fold them into our policy, how to shape our
7 policy to take some of those concerns into
8 consideration. And some of them might not be
9 issues that trade agreements can necessarily
10 address; the issue of currency fluctuations and how
11 that affects both competition here is one that we
12 might not be able to address in trade negotiations.

13 Your perspective is important to us and
14 one of the things that I would like to emphasize is
15 that we hope this isn't a one-shot deal, we're not
16 here just to listen to you and go back home and go
17 about our business. This is the beginning of a
18 process and it's kind of an exchange, hopefully it
19 will be the beginning of a much closer dialogue.
20 Seattle will be just the beginning of a process of
21 negotiation and this kind of session where you're

22 communicating directly with us in Washington, we
23 hope will be the beginning of a dialogue so as we
24 go through the negotiations, we will be able to
25 report back to you on what is going on and you will

1 continue to bring us your concerns.

2 MR. PECK: One important thing to note that
3 we've recognized is that fact that it's nice to
4 have the State Department sitting with us talking
5 about agriculture issues. That's a major change
6 that we've seen occur over the last year.

7 MS. GARROS: Thank you, it's nice to be out
8 here. I want to remind you that State Department
9 plays a role in both trade policy and in explaining
10 our policies to other countries. It's nice to be
11 here and hear this firsthand.

12 MS. LAURITSEN: As Susan was talking, I would
13 try to think of other things I would add and then
14 she would add them to her statement. I do want to
15 thank all of you, particularly those who have
16 driven hundreds of miles to be here. Those of us
17 on the East Coast sometimes have a hard time
18 appreciating the distances in this great state.

19 I think Susan captured some excellent
20 points. I think, though, we also heard of the pain
21 that you're all going through, and that we have to

22 be conscious as we approach our international trade
23 policy on how these things impact the individual
24 producers who are working day-to-day producing food
25 and trying to make a living. And if anything, I

1 think we'll take that home. And I think, though,
2 it's also one of the reasons we came out here is we
3 do have trade associations knocking on our doors
4 all the time, whether they're -- you know, they
5 represent individual producers as well as
6 corporations, but I think it's extremely important
7 for us to get out here and hear from grassroots
8 folks as well and get a broader perspective on
9 what's important to America.

10 I would like to emphasize again, as
11 Susan said, I hope that somehow we can continue
12 this dialogue. I know I met with several of you
13 when you were back in the Washington a couple
14 months ago. Was it June? I think that was very
15 useful, too, particularly for some of our folks who
16 aren't as close to agriculture as those of us who
17 have worked for the Department of Agriculture. So
18 I would hope that we continue this two-way dialogue
19 in the future. Thank you.

20 MR. PECK: Wait for a minute for lawyer Jim
21 and see if Tim has anything to say.

22 MR. GALVIN: Just to take a minute, I guess
23 more than anything, I would really like to
24 emphasize the fact that I view these 12 regional
25 hearings that we've done as just more than an

1 exercise. I think it really does reflect a basic
2 change in the way we try to go about doing our
3 business. And I think that, again, goes back to
4 the statement that President Clinton made May of
5 last year when he was Geneva speaking to the WTO
6 and he made it very clear that we've got to change
7 our basis approach in how we conduct these
8 negotiations. We've got to open up the process and
9 make it clear that anybody that has an interest in
10 the subject can follow it and can participate in
11 our policy formation. And in the course of that
12 speech, he made a direct appeal not only to
13 producers but to consumers, to the environmental
14 community, and others, and he made it really clear
15 that he wants to see this whole process opened up
16 not only in the formulation of trade policy but
17 also in the basic way in which the WTO goes about
18 its business.

19 Because I think he realizes and others
20 of us in the administration really recognize that
21 trade has a very direct impact on your lives.

22 That's not the say that trade is the be-all and
23 end-all because there's certainly many other things
24 that are important in shaping your bottom line.
25 But I think it's an inescapable fact

1 that trade does have a very large impact, and we
2 very much want to understand your concerns so that
3 as we sit down and try to formulate trade policy
4 that we get it right. And thanks again for
5 participating today.

6 MR. PECK: I think we saw your lawyer in this
7 come out a little bit once in a while.

8 MR. SCHROEDER: I agree with my friends. I
9 really can't say much more. I've probably
10 interjected myself too much as it is. But what
11 you've seen here and what you've heard here today
12 is the critical importance of agriculture. It's
13 very clear we have programs that support our
14 agriculture, perhaps they're not the right ones and
15 perhaps they're not sufficient enough but our
16 Canadian friends have them, the Europeans, the
17 Japanese. Agriculture is critical, it's critical
18 to the economies, welfare of all countries, and all
19 countries have agriculture programs. And we've got
20 to focus on that, we've got to look at our programs
21 and make sure they're the ones we want and that

22 they're working.

23 Now, we have a second phenomena. We

24 have this global economy, and I commend to you a

25 recent book by Tom Freedman of the New York Times,

1 he's written several articles that globalization is
2 here. We can't do much about it, if you don't like
3 it, it's too bad, but it's here. Cold war is over,
4 the walls have come down, we're into the web and
5 the internet and we're all in this now together.
6 So where does that leave us as we approach this
7 trade issue? And that's what we've been grappling
8 with.

9 And remember, really we didn't do
10 anything until 1994. Two things happened, the
11 Uruguay Round. The first time agriculture is on
12 the table in this new worldwide marketplace. And
13 then our own agreement here in the hemisphere here
14 with NAFTA. So we're trying to build on those
15 agreements, improve market access, reduce tariffs
16 for our products. Remember where we started. 96
17 percent of the people don't live in the United
18 States. The USA Today, I saw a little column the
19 other day, per capita meat consumption in the
20 United States from 1976 to last year, 1998, has
21 dropped from approximately 93 or 94 pounds back to

22 around 67. I mean, I used to have roast beef ever
23 Sunday when I was after kid, now I'm lucky to see
24 it at all. What do we do about that?
25 The marketplace for our production and

1 one-third of our production, one-third of our
2 acreage, it produces more than we could ever eat or
3 need here. So we've got to look out if we're going
4 to still have healthy production in this country
5 because we can't consume all this here. So that's
6 what we're about, we really value your input. We
7 value the input and the partnership from our State
8 officials because they're here, they're close to,
9 you talk to them. It's an invaluable partnership
10 that we have between the Federal and State
11 officials. And believe it or not we do listen.

12 Now, unfortunately, we do represent
13 Cargill. It's an American company, the last time I
14 looked. But we also represent the Farm Bureau, and
15 the National Corn Growers, and Mr. and Mrs. Smith,
16 and all the ships at sea. We listen to everybody,
17 our goal, believe it or not, is to have these
18 agreements benefit producers, ranchers, and
19 farmers. That's our goal, and with your help,
20 hopefully we can succeed. So thank you very much.

21 MR. PECK: And we'd like to thank you for

22 coming to Montana. As you noticed, I didn't
23 interject today. This was the discussion with the
24 folks that will be representing us in the
25 negotiations as this moves forward. And it was

1 critical for you to provide them input, provide
2 them direction, and let them have the interjection
3 and the discussion with you regarding what I think
4 is an absolute critical issue in the future of
5 there industry and of our nation.

6 Governor Racicot and myself will be on
7 an advisory council as we work on agriculture
8 issues and trade issues, as we work with USDR and
9 USDA with regard to future action and direction,
10 along with three other governors that have also
11 agreed to serve on that, and my counterparts from
12 border states. And so we will continue to work and
13 be involved and provide a partnership as we move
14 forward with these negotiations. They are
15 absolutely critical for all of us and we hope that
16 you will continue to stay in touch with the members
17 of the panel and the Department of Agriculture and
18 your congressional delegation. I was very pleased
19 that we had that kind of response from our
20 congressional delegation and that they remained
21 committed to active and very active participation

22 in this process and committed to the industry of

23 agriculture.

24 I'm one of those that believe, as

25 agriculture goes, so will this nation go. And I

1 maintain that belief as long as I shall live and
2 we've all got to form that partnership to be sure
3 that we maintain the strength of this industry in
4 the future. Thank you for being here, this is what
5 makes it work. I know it was a major commitment on
6 everybody's part to be here, and for that, we are
7 grateful because the future that we have is at
8 stake. So thank you.

9 (Whereupon, the proceedings
10 were concluded.)

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20 C E R T I F I C A T E

21 S T A T E O F M O N T A N A)

22) ss.

23 COUNTY OF GALLATIN)

24

25 I, Jami Dee Woodman, Court Reporter - Notary

1 Public in and for the County of Gallatin, State of
2 Montana, do hereby certify:

3

4 That the witness in the foregoing deposition
5 was by me first duly sworn to testify the truth,
6 the whole truth, and nothing but the truth in the
7 foregoing cause; that the deposition was then taken
8 before me at the time and place herein named, that
9 the deposition was reported by me in shorthand and
10 later transcribed into typewriting under my
11 direction, and the foregoing pages contain a true
12 record of the testimony of the witness, all done to
13 the best of my skill and ability.

14

15 IN WITNESS WHEREOF, I have hereunto set my
16 hand and affixed my notarial seal this _____ day
17 of _____, 1999.

18

19 _____
20 NOTARY PUBLIC, CSR

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